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# MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

## 1994 APPLICATION GUIDELINES FOR HOUSING & PUBLIC FACILITIES PROJECTS



MONTANA DEPARTMENT OF COMMERCE



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**MONTANA**  
**COMMUNITY DEVELOPMENT**  
**BLOCK GRANT PROGRAM**

**1994 APPLICATION GUIDELINES FOR**  
**HOUSING AND PUBLIC FACILITIES PROJECTS**

**MONTANA DEPARTMENT OF COMMERCE**

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**February, 1994**



## **INTRODUCTION**

The 1994 Community Development Block Grant (CDBG) Program Application Guidelines describe the general requirements which apply to all local governments applying for CDBG funds. The guidelines also cover the special requirements and ranking criteria which will be used by the Department of Commerce (DOC) to evaluate applications for housing and public facilities projects.

The economic development component of the program is administered by the DOC Business Development Division. The housing and public facilities categories are administered by the DOC Local Government Assistance Division. The Department publishes two sets of application guidelines: one, for the economic development category only, and the second, for the housing and public facilities categories.

For a copy of the application guidelines for economic development projects, contact:

**DOC/Business Development Division  
1424 Ninth Avenue  
Capitol Station  
Helena, MT 59620  
444-2787**

For additional copies of the application guidelines for housing and public facilities projects, contact:

**DOC/Local Government Assistance Division  
1424 9th Avenue  
Capitol Station  
Helena, MT 59620  
444-2488**

If you have not previously worked with Montana's CDBG Program, the volume of the guidelines may, at first, seem a bit overwhelming. It is true that, because of the federal requirements involved, there is considerable "red tape" involved in applying for and administering a Community Development Block Grant; however, even very small communities have demonstrated that they can successfully complete and administer a CDBG project.

Please keep in mind that these guidelines include sections on two different types of CDBG projects: housing and public facilities. Once your community has decided on

the type of project it intends to pursue, the other portions of the guidelines which do not apply can be disregarded. The text of the guidelines also includes numerous suggestions to applicants on how to prepare a more competitive grant application.

In addition to these guidelines, the Department of Commerce has prepared a number of supplementary materials to help local officials prepare CDBG applications and comply with the various requirements. These include items such as sample income survey forms, budget forms, formats for public hearing announcements and local government resolutions, and checklists to help make sure that the application is complete. Copies of these materials will be distributed at regional application workshops or may be ordered from the Department's Local Government Assistance Division at the address and telephone number listed above. If you have any questions regarding Montana's Community Development Block Grant (CDBG) Program, don't hesitate to contact us. Seeking the affordable solution to your community's need is why this program exists. Thank you for your interest in the Montana CDBG Program.

**Newell B. Anderson, Administrator**  
**DOC/Local Government Assistance Division**

**February, 1994**

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## I. BACKGROUND

The Community Development Block Grant (CDBG) Program is a federally funded grant program designed to help communities with their greatest community development needs. All projects must be designed to principally benefit low and moderate income families. The program was established by the federal Housing and Community Development Act of 1974 (42 USC 5301) and is administered nationally by the U.S. Department of Housing and Urban Development (HUD).

Nationally, the CDBG program is divided into two major categories:

1. The Entitlement CDBG Program assists communities with 50,000 or larger populations. In Montana, only Billings and Great Falls are entitlement communities; they receive CDBG funds on a formula basis and are directly under HUD administration.
2. The State CDBG Program assists communities with populations under 50,000. Allocations are established for each state on the basis of a statutory formula.

In 1981, Congress amended the federal Housing and Community Development Act to make the nonentitlement portion of the CDBG program available as an optional State-administered program. The Legislature authorized the Department of Commerce to administer the program beginning in 1982.

Each year from \$5-6 million have been awarded to Montana counties and municipalities for community development projects. Overall, the CDBG awards have been matched by an equal expenditure of public and private funds, making possible millions of dollars of public and private investment reflected in construction activity and creating jobs for Montanans across the state.

**Montana's total CDBG allocation for 1994 is \$8,392,000, significantly higher than in past years. This allocation represents a 12 percent increase from Montana's 1993 allocation of \$7,543,000.** For 1994 DOC proposes to conduct the grant competitions for public facilities and housing projects be held separately. Public facility applications would be due June 1, 1994. Housing applications would be due October 4, 1994. The rationale for the proposed changes in the grant competition are described in

Chapter II, Fiscal Year 1994 Program Description. Grant applications for economic development projects are accepted continuously, as long as funds are available. Applications are evaluated according to the established criteria for each project category. Because of the strong demand for the funds, the Department is normally able to fund only about one half of the applications submitted.

A summary of each of the housing and public facility projects awarded funds under the 1993 CDBG Program is included in Appendix G. Lists of the projects awarded CDBG funds from 1982 to 1993 are available from the Department upon request.

## II. FISCAL YEAR 1994 PROGRAM DESCRIPTION

### A. PROGRAM GOAL AND OBJECTIVES

#### 1. Goal

Consistent with Congressional intent as expressed in the federal Housing and Community Development Act, the goal of the Montana Community Development Block Grant (CDBG) Program is to develop viable communities by providing decent housing, healthful and safe living environments, and economic opportunities, principally for persons of low and moderate income.

#### 2. National Objectives

Under the federal Housing and Community Development Act, CDBG recipients are required to "give maximum feasible priority" to activities that will:

- a. benefit low and moderate income persons;
- b. aid in the prevention or elimination of slums or blight; or
- c. meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs.

In addition, the Act requires that 70 percent of a State's CDBG funds, taken as a whole, must be used for activities that principally benefit low and moderate income persons. The Montana CDBG Program has responded to this mandate by requiring that each applicant document that at least 51 percent of the non-administrative funds provided for a local CDBG project will be used for activities that are clearly designed to meet the identified needs of low and moderate income persons. Overall, Montana's CDBG Program averages over 95% benefit to low and moderate income persons, according to HUD standards.

#### 3. State Objectives

Community development objectives for the State have been developed by DOC. **Each CDBG applicant must identify the State's community development objective(s) which**

its proposed project responds to. Appendix A describes the State's objectives for the Montana CDBG Program.

## **B. PROJECT CATEGORIES**

There are three funding categories under Montana's CDBG Program:

1. economic development;
2. housing; and
3. public facilities.

### **Economic Development Projects**

In economic development projects, the State grants a CDBG to a local government, which, in most cases, loans the funds to a private business. In return, the business commits to create a specific number of jobs, a majority of which will be made available to low and moderate income persons.

### **Public Facility Projects**

In public facility projects, CDBG funds are most often used in combination with other federal, state, or local funds to make public improvements affordable to low and moderate income families. **These projects must principally benefit low and moderate income persons.** Public facility projects can also include facilities designed for use predominately by persons of low and moderate income such as nursing homes, senior centers, mental health centers, shelters for battered spouses or abused children, or group homes for developmentally disabled persons. Projects designed to provide temporary, short-term housing (for example, transitional housing, homeless shelters, and emergency shelters) would also fall under the public facilities category.

### **Housing Projects**

The CDBG housing category is intended to rehabilitate or provide permanent, long-term housing. In housing projects, CDBG funds are most often used to make low or no interest loans to low and moderate income families to allow them to rehabilitate homes in substandard condition. Rehabilitation focuses on bringing the home up to basic code standards by improving electrical systems, plumbing, roofing, and providing for energy conservation measures such as installation of adequate insulation

or energy-efficient furnaces, doors, and windows. In addition, communities frequently use CDBG funds to demolish vacant, unsafe buildings or to make needed improvements in public facilities in conjunction with their housing efforts in order to revitalize blighted areas of their towns.

CDBG funds can also be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit organization. Housing projects can also include the site improvements to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing. The clearance or acquisition of sites for use or resale for new housing and conversion of existing nonresidential structures for residential use are also eligible CDBG housing activities.

### **Complementary Activities**

A project may consist of one or more activities designed to substantially resolve a community development need. The principal activities must clearly be designed to address needs appropriate to the category applied for and must represent at least two-thirds of the non-administrative project funds requested; other proposed activities should be clearly complementary to and in support of the principal activities in order to enhance the overall impact of the project in resolving the identified problem. For example, public facilities activities, such as water, sewer, or street improvements, can be included in a housing project which primarily addresses housing rehabilitation and demolition needs because the activities support an overall neighborhood revitalization strategy and are related to the project objectives.

Examples of the types of activities which may be funded under each project category, as well as the special requirements and ranking criteria which are used to evaluate applications for each category, can be found in the separate chapters of these guidelines.

The requirements for Economic Development Projects are discussed in a separate set of application guidelines available from the DOC Business Development Division, at the address and telephone number listed in the Introduction.

## C. GRANT CEILINGS

The total amount of CDBG funds requested by an applicant must not exceed the following ceilings:

<u>Type of Grant</u>	<u>Ceiling</u>
Housing	\$400,000
Public Facilities	\$400,000

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within 24 months from the date of the announcement of grant award by the Department. While grant ceilings establish the maximum amounts which may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant.

There are no minimum amounts required for CDBG requests. A maximum of 18% of a grant may be used for local grant administration. Some administrative expenses are essentially fixed and are not proportionate to the total cost of a CDBG project. Communities considering relatively small requests (under \$75,000) may find that the 18% allowed may not provide a sufficient budget to cover all administrative costs. A community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the Department's CDBG staff to discuss their proposed project prior to submittal of the application.

## D. APPLICATION DEADLINES

<u>Type of Grant</u>	<u>Deadline</u>
Housing	October 4, 1994
Public Facilities	June 1, 1994

Applications must be delivered or postmarked on or before the deadline date.



## E. DISTRIBUTION OF FUNDS

### 1. Funds Available for the Montana CDBG Program

HUD has notified the Department of Commerce that Montana's FY 1994 CDBG allocation is \$8,392,000. This amount represents a \$849,000 increase over the 1993 allocation of \$7,543,000.

The distribution of funds for Montana's CDBG Program for federal fiscal year 1994 will be as follows:

Total Fiscal Year 1994 State CDBG Allocation	\$8,392,000
Less CDBG funds for State program administration and technical assistance to applicants and to grantees*	<u>351,760</u>
Amount Available for Award to Local Governments	\$ 8,040,240
Less 1/3 Allocation for Economic Development Projects	<u>2,680,080</u>
Total Available for Housing and Public Facility Projects	\$ 5,360,160
-less 1/3 Allocation for Housing Projects	\$ 1,786,720
-Subtotal Available for Public Facilities Projects	\$ 3,573,440

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\* Extensive federal regulations accompany the program. DOC will use a small portion of the State CDBG allocation for administration of the program, as established by a statutory formula. The funds will be used to supplement State resources to meet federal regulatory requirements and to support related

technical assistance to applicants and grantees and project monitoring activities throughout the terms of the local projects.

Of these funds, one percent of the annual allocation, or \$83,920, is specifically designated by statute to provide technical assistance to local governments and non-profit program applicants and recipients.

## 2. Allocation of Funds

### a. 1994 Economic Development Setaside

One-third of the total amount available for new grants (\$2,680,080) will be set aside to allow economic development funds to be available to applicants on a continuous basis.

For the public facilities and housing categories, in general, basic needs can be identified and planned for in advance. In contrast, it is generally not possible to identify or plan for economic development opportunities ahead of time; however, when such a situation develops it requires a timely response by the community and the State to facilitate and support the development proposal. The continuous application cycle for economic development applications is designed to meet the need for more prompt response to economic development initiatives.

### b. 1994 Grant Competitions For Public Facilities and Housing Projects

For 1994, separate grant competitions are proposed for the public facilities and housing categories. Recently the state Water and Sewer Agencies Coordinating Team (WASACT) initiated a year-long review, in cooperation with the Montana Rural Development Council, of application cycles, forms, and procedures for state public facility financing programs to achieve "cost savings, improved efficiency, and improved coordination." As a part of this review, CDBG staff have been examining the Montana CDBG program in light of these objectives. DOC staff have also been involved in discussions with staff from the Department of Natural Resources (DNRC) Renewable Resources (Water Development) Program on steps that can be taken to achieve better coordination with the new Treasure State Endowment Program (TSEP). As a result of this review and discussions with

representatives of local governments, the DOC is proposing two major changes to the Montana CDBG Program:

1. changing the application cycles used for CDBG housing and public facilities project; and
2. changing the allocation of CDBG funding.

#### Application Cycles

Since 1982, CDBG funds for housing and public facility projects have been awarded through a fall competition. For the 1994 CDBG program, the department proposes to conduct a separate competition for public facility projects only, with an application deadline of June 1st.

This earlier due date for CDBG public facility applications would then coincide with the due dates for the DNRC Renewable Resource Program (May 15th) and the DOC Treasure State Endowment Program (TSEP) (June 15th).

The Department is also proposing that applications for the CDBG housing category would be coordinated with the DOC HOME program with applications for the CDBG program due October 4, 1994 and applications for the HOME program due shortly before October 4, 1994.

#### Allocation of Funds

Since the housing and public facility categories would be separated, it would be necessary to set aside a specific amount of CDBG funds to be available for each category. The Department proposes to allocate available CDBG funds as follows:

~ one-third of the total CDBG annual allocation would be set aside for the economic development (ED) category, as opposed to the present twenty-five percent. This increase for economic development projects is proposed in the recognition that the TSEP and HOME programs have provided increased funding for public facilities and housing projects, while the resources for economic development have remained static in the face of increasing demand.

~ the remaining two-thirds of available funds would be allocated between housing and public facilities projects based on the historical demand during the last five years that DOC has had separate ED and housing/public facility allocations. As a result, based

on the last five years of demand, the Department proposes a one-third allocation of the remaining balance for housing projects and two-thirds for public facility projects.

Demand for Housing and Public Facilities, 1989 - 1993

	<u>Housing</u>	<u>Public Facilities</u>
1993	28%	72%
1992	39%	61%
1991	35%	65%
1990	38%	62%
1989	22%	78%
Five Year Average	32.4%	67.6%

Benefits

Moving the CDBG public facilities application cycle up to the same time period as TSEP and DNRC would achieve several desirable results:

- the Department can effectively create a one-stop process where all the principal state public facility funding programs could be accessed in one common time period and, to the extent possible, with common application forms and procedures. (DNRC staff have agreed to work with DOC CDBG and TSEP staff to develop a common system for analyzing applicants' need for financial assistance.) The competitive grant award process would assure that the limited available CDBG funds would go to the best planned projects addressing the greatest community needs while maximizing benefit to low and moderate income persons.
- in contrast to the current procedure, the State can use its staff resources more efficiently by providing a coordinated, concurrent review of public facility and housing applications in one concentrated time frame and eliminate duplicative, consecutive reviews of the same basic proposals. This would also make it easier for the programs to jointly package appropriate levels of financial assistance for each project.

- the Department can better accommodate the needs of communities to get an earlier start on their public facility projects to allow additional time for engineering design and for the technical reviews required by DHES of final engineering designs. Local governments would also have more time to focus their application efforts on the separate CDBG categories of housing and public facilities.

- in contrast to the present system of separate, independent reviews of public facility applications, DNRC and DOC can retain one engineering firm to conduct technical evaluations for all three programs (DNRC Water Development and DOC CDBG and TSEP) to achieve a cost savings and better consistency in the reviews.

- by splitting CDBG public facilities and housing projects into separate competitions, DOC can make the number of applications to be reviewed during each CDBG competition more manageable.

- the Department can commit a major portion of its CDBG funds to projects earlier in the program year, which will help DOC comply with HUD requirements to commit funds as soon as possible.

A fall HOME and CDBG housing competition would have a parallel benefit by creating a one-stop process for local governments applying for housing funds. As with the public facility programs, to the extent possible, DOC staff would try to develop similar application forms and procedures.

This proposal is offered in the spirit of "re-inventing government" to make it more efficient and responsive to its clients.

Applications will be ranked against other applications in the same project category for the total amount of funds allocated to that category.

During the spring grant competition for public facility projects, the final distribution of funds may be subject to shift between the public facility category and housing category of up to 10 percent of the amount available for award to local governments at the discretion of the Director of the Department of Commerce, under the following circumstances:

- if the funds remaining in the public facility category are insufficient to achieve adequate impact for all of the next highest ranked project or would result in unjustifiably high administrative costs relative to project impact; or

- where judgments on the overall quality of proposed projects and their consistency with the goal and objectives of the State CDBG Program would justify redistribution of funds.

### 3. Reallocation of Funds

- a. If any grantee which has tentatively been awarded funds is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment will be withdrawn. In the event that excess funds above the last ranked grant request are available, they may be reallocated at the discretion of the DOC Director, consistent with these guidelines, so as to best achieve the goal and objectives of the Montana CDBG Program.
- b. Unallocated funds from the current fiscal year or unexpended or uncommitted funds from previous grant awards, including program income which has been returned to the State, may be reallocated at the discretion of the DOC Director, consistent with the current adopted Application Guidelines, in order to best achieve the goal and objectives of the Montana CDBG Program.
- c. The Federal Housing and Community Development Act requires the State to distribute CDBG funds to local governments "in a timely manner." HUD encourages the State to have at least 95% of its total annual grant allocation awarded and under contract within fifteen months of the date the allocation was awarded to the State. All remaining funds must be awarded and under contract within fifteen months of the State CDBG award.

If after ten months from the date of the award of the State's annual CDBG allocation, the DOC does not have at least 95% of its fiscal year allocation awarded and under contract, the Department Director may, at his discretion, award funds from the Economic Development Setaside to the highest ranked eligible, but unfunded, applications from the CDBG grant competitions for public facilities projects or housing, in order to achieve these goals.

#### 4. Estimate of Funds to Benefit Low and Moderate Income Persons

The federal Housing and Community Development Act requires that the State estimate the amount of CDBG funds proposed to be used for activities that will benefit low and moderate income persons, excluding administrative costs.

In keeping with Congressional intent for the program, all CDBG applications must document, as a threshold requirement, that at least 51 percent of the non-administrative funds requested for a CDBG project are clearly designed to meet the needs of low and moderate income families. As a result, according to HUD guidelines for calculating benefit, approximately 95% of the funds granted to Montana communities from 1982-1993 are considered to be principally benefiting low and moderate income families. Therefore, based on past experience, the DOC estimates that not less than 95% of the non-administrative CDBG funds awarded through the FY 1994 Montana CDBG program for local projects will be used to benefit low and moderate income persons.

DOC's estimate of funds to be used to benefit low and moderate income persons is based upon the following calculations:

Total estimated CDBG funds available for award to local governments

Total estimated CDBG funds available for award to local governments	\$8,040,240
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Less 18% maximum potential permitted for local project administration	<u>1,447,243</u>
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Subtotal	<u>\$ 6,592,997</u>
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Multiplied by projected 95 percent benefit for low and moderate income persons (95% X \$6,592,997) =	\$ 6,263,347
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Thus, DOC estimates that not less than \$6,263,347 of Montana's fiscal year 1994 CDBG allocation will be used to benefit low and moderate income persons. Based on

past experience, the actual amount will likely be higher since local projects, in the aggregate, average far less than 18% overall for project administration.



### III. GENERAL REQUIREMENTS FOR ALL CDBG APPLICATIONS

In order to be eligible for an award of CDBG funds, applicants must comply with the following requirements. Local officials having any concerns or questions regarding these requirements should contact the DOC Local Government Assistance Division, for guidance as early as possible in the process of preparing an application.

#### A. ELIGIBLE APPLICANTS

Under federal law, eligible applicants are limited to general purpose local governments: counties, incorporated cities and towns, and consolidated city-county governments. Among municipalities, only Billings and Great Falls are ineligible to apply to the State CDBG Program because they receive CDBG funds from a separate HUD allocation for communities with populations over 50,000. Montana's Indian tribes also receive CDBG funds from a separate HUD CDBG program and are not eligible to apply to the State program.

Special purpose agencies such as local economic development corporations, housing authorities, or water or sewer districts, are not eligible to apply directly; however, they may be involved in implementing and administering a program by interlocal agreement, if a local government agrees to such an arrangement. Water or sewer users associations, because they are private nongovernmental entities, and districts formed as Rural Special Improvement Districts (RSID's), must first be established as county water or sewer districts (pursuant to Title 7, Chapter 13, Parts 22 and 23, MCA) before making an application for CDBG funds.

##### 1. County Applications

For projects proposed to resolve problems in the unincorporated jurisdiction of a county, the county governing body is the eligible applicant. A county may apply for a project which will include activities within the jurisdiction of an incorporated city or town if the proposed activity is intended to benefit all county residents, including those located in the unincorporated jurisdiction of the county, as well as those within the city or town.

In order to improve cost-effectiveness for project administration, a county may apply for a grant for a project which would address the same category of community need in two or more separate unincorporated communities as long as the grant request is under the established ceiling. For example, a county can apply for a project which

would provide public facilities for two unincorporated communities or a project which would conduct housing rehabilitation activities in two unincorporated communities. If considering such a project, the applicant county would want to be sure that the involved communities have an equally high level of need and that the proposed response is equally appropriate and would achieve comparable impact on the needs of each of the communities; if not, the entire application could be less competitive.

## 2. Municipal Applications

For projects proposed to resolve problems within the jurisdiction of an incorporated city or town, the city or town governing body is the eligible applicant. A municipality may apply for a project which would include an activity to be located outside city limits if the proposed activity will principally benefit residents within the city's jurisdiction, such as a solid waste disposal site or a water or sewage treatment facility. A municipality may also apply for a project which is located outside the city's jurisdiction if it can provide adequate assurances that the project area will be annexed within the term of the CDBG project.

## 3. Joint Applications

In situations where two or more eligible local governments face a common community development problem, a joint application may be submitted under the following conditions:

- a. the problem to be addressed lies in an area of contiguous jurisdictions;
- b. the solution to the common problem clearly requires cooperative action and is the most efficient strategy; and
- c. the local governments involved have contacted the Department of Commerce and received prior approval of such an arrangement before submission of an application. Requests for approval must be submitted at least 30 days prior to the due date for applications.

The eligible local governments involved must each meet the threshold requirements for all applicants. One local government must be designated as the lead applicant and accept full responsibility for application submission and, should the application be awarded funds, for administrative and financial management during the term of the CDBG project. The local government designated as the lead applicant will be ineligible to apply for another grant during the same grant competition.

All joint applications must contain a draft interlocal agreement, in accordance with the Montana Interlocal Cooperation Act (Sections 7-11-101 through 108, MCA), which identifies the responsibilities and obligations of the cooperating local governments, including long-term operation and maintenance, if applicable.

#### **B. NUMBER OF APPLICATIONS PERMITTED PER APPLICANT**

Unless otherwise prohibited by the provisions of section D below, each eligible local government jurisdiction may submit one application to the spring grant competition for public facility projects and one application to the fall grant competition for housing projects.

For the purposes of this requirement, consolidated city-county governments will be considered as two separate jurisdictions; one, the city jurisdiction and two, the unincorporated jurisdiction of the county. For application purposes, the jurisdiction of each will be defined by the city and county boundaries as delineated on the date of consolidation. Applications for city and county jurisdictions must conform to the requirements for municipal and county applications set out in section A., Eligible Applicants.

#### **C. NUMBER OF GRANT AWARDS PERMITTED PER JURISDICTION**

During any program year, a local government jurisdiction may be awarded a maximum of two grants, one from the public facilities category and one from the housing category.

#### **D. RE-APPLICATION**

**NOTE:** Because of increasing pressure from HUD to expedite the expenditure of CDBG funds and the completion of CDBG projects, DOC is proposing to return to an earlier system of determining eligibility for reapplication based upon the percentage of completion for different fiscal years of award. This system provides a strong incentive for CDBG recipients to complete their projects in a timely manner.

1. A previous recipient of a CDBG award under either the housing or public facility category is not eligible to reapply for the same category until the following conditions have been met:

Fiscal Year 1993 grantees - CDBG non-administrative funds 75% drawn down or activities completed by the date of application.

Fiscal Year 1992 grantees - CDBG non-administrative funds 90% drawn down or activities completed by the date of application.

Fiscal Year 1991 grantees - CDBG non-administrative funds 100% expended, project completion report submitted and audit scheduled by the date of application.

Fiscal Year 1990 grantees and all earlier years - Project closed out (conditional or final) by the date of application.

2. The local government is in compliance with the project implementation schedule contained in its CDBG contract with the Department of Commerce under either the public facility or housing category; and
3. There are no specific unresolved audit or monitoring findings directly related to any previous CDBG grant awarded to the local government.

#### **E. COMMUNITY DEVELOPMENT NEEDS ASSESSMENT**

The federal Housing and Community Development Act requires that each CDBG recipient must "identify its community development and housing needs, including the needs of low and moderate income persons, and the activities to be undertaken to meet such needs." It also requires public hearings to obtain citizen views including the development of needs and the review of proposed activities.

Each applicant must include a description of its needs, which, at minimum, summarizes:

1. The process used to identify community development needs and establish priorities and objectives, including efforts to encourage meaningful participation of local citizens, particularly those of low and moderate income, who are residents of areas in which CDBG funds are proposed to be used;
2. The applicant's short-term and long-term community development needs for economic development, housing, and public facilities, including the

needs of low and moderate income persons, and its priorities for responding to the needs;

3. The planned activities to be undertaken to meet the identified needs; and
4. The rationale for selecting the proposed CDBG project.

**A summary of the applicant's community development needs assessment. should be incorporated as part of the applicant's response to the "Project Planning and Selection" ranking criterion established for housing and public facilities categories.**

There is no one recommended procedure for preparing a community development needs assessment. Under the federal Housing and Community Development Act, applicants must identify community development and housing needs and specify both long-term and short-term objectives. This requirement was intended by Congress to be an abbreviated planning process in order to promote better coordinated strategies for addressing local needs, particularly as they affect low and moderate income persons. **It is not intended to duplicate the ongoing comprehensive planning programs already established by many Montana communities.** To the contrary, as an initial step in the needs assessment process, the Department of Commerce encourages applicants to review their existing comprehensive plan and community development priorities. DOC discourages stand-alone, CDBG-specific needs assessment processes or community surveys which are not coordinated with a community's existing comprehensive planning program. The needs assessment requirement can also provide an opportunity to review existing capital improvements, economic development, or housing plans, to determine if they still adequately reflect current conditions, needs, and community priorities. **For further guidance, applicants should review the Department of Commerce guidelines, The Community Development Needs Assessment Process.**

## **F. CITIZEN PARTICIPATION**

The federal Housing and Community Development Act places strong emphasis on involving the public in the preparation of CDBG applications and in the implementation of CDBG projects. It requires the Department of Commerce to adopt "a detailed Citizen Participation Plan." In order to receive CDBG funds, both the Department and applicants for grants must certify that they are carrying out citizen participation in a manner that complies with this plan. Montana's CDBG Citizen Participation Plan is included in Appendix B. The certification required of applicants for CDBG funds is included in Appendix D, CDBG Certifications for Application.

Applicants must provide citizens, especially low and moderate income residents, an adequate notice and opportunity for meaningful involvement in the planning and development of CDBG applications.

**At a minimum, the applicant must hold two public hearings, one before preparing the application and one prior to passage of a resolution by the governing body authorizing the submission of the application. A record of the required hearings must be submitted with the application for CDBG funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens is sufficient.**

The purpose of the first public hearing is to inform citizens about the CDBG program, the amount of funds available, how it may be used, the range of activities eligible for funding and other general program requirements, as well as to solicit public comment, particularly from low and moderate income people, on community needs and priorities for economic development, housing and public facilities, including the needs of low and moderate income persons. The purpose of the first public hearing is to give citizens an opportunity to propose projects before the local government makes a decision regarding what project it will apply for. **The first public hearing must be held not more than twelve months prior to the date of application.**

The purpose of the second public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's proposed CDBG project, before it is submitted. **The second public hearing must be held not more than two months prior to the date of application.**

Formal public notice must be provided before public hearings are held. Notice of each public hearing should be published at least once in a newspaper of general circulation in the community at least seven days prior to the hearing. Where possible, notice should also be directed to persons of low and moderate income or those persons who will benefit from or be affected by CDBG activities and/or groups representing low and moderate income persons.

Hearings must be held at times and locations convenient to potential beneficiaries and with accommodation for the handicapped. In the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate, federal law requires that arrangements be made to have an interpreter present.

Applicants should refer to Appendix B for more information on CDBG citizen participation requirements.

## **G. ELIGIBLE ACTIVITIES**

Projects may consist of one or more related activities within a general category. The activities which are eligible for funding under Montana's CDBG Program are limited to those set out by Congress in Title I of the Housing and Community Development Act of 1974, Section 105(a), as amended through October 28, 1992. These eligible activities pertaining to the housing and public facilities categories are summarized in Appendix C.

### **Suggestions for Applicants**

In most cases the question of the eligibility of an activity is clear-cut and can be resolved by contacting the DOC CDBG staff. Some activities may involve special conditions imposed by federal law or regulations.

In selecting activities for a CDBG application, communities should be aware that the fact that although an activity may be legally eligible under the federal statute and HUD regulations, it may not be competitive under the guidelines and ranking system incorporated in the Montana CDBG Program. Any project under consideration for a CDBG application should be compared against the ranking criteria for that category before a decision is made to prepare an application. If you have questions regarding the eligibility of, or special requirements which may apply to, a particular project or activity under consideration in your community, contact the DOC CDBG staff for guidance.

## **H. BENEFIT TO LOW AND MODERATE INCOME PERSONS**

Each applicant must document in its application that a minimum of 51 percent of the non-administrative funds requested for a CDBG project will be used for activities that are clearly designed to meet identified needs of persons of low and moderate income in the area. Applicants must also demonstrate that any activities proposed will not benefit moderate income persons in a manner which would exclude or discriminate against low income persons.

Under the federal Housing and Community Development Act, "low and moderate income" is based on the higher of either:

- 80% of the median income for the county in which the project would be located; or
- 80% of the median income for the entire nonmetropolitan area of the State (all of Montana, excluding Billings and Great Falls).

The applicable higher amount is already incorporated in the current income guidelines for Montana counties which appear in the current edition of the DOC publication, Guidelines for Documenting Benefit to Low and Moderate Income Persons.

Compliance with the benefit to low and moderate income requirement is calculated on an activity-by-activity basis. The following general guidelines can be used to determine, which projects or activities will be considered as principally benefiting low and moderate income households:

- the project has income eligibility requirements that limit the benefits of the activity to low and moderate income persons, such as housing rehabilitation assistance which is provided only to low or moderate income families or the payment of assessments levied against properties owned by low or moderate income families as part of a public facilities project; or
- the project serves an area where at least 51 percent of the residents are low and moderate income persons and provides services for such persons, such as a water project for a lower income neighborhood; or
- the project involves facilities designed for use predominately by low and moderate income persons (e.g., a senior center or Head Start Center).

**Applicants proposing to use CDBG funds for areawide activities (such as a community-wide public facility project) must provide income data to demonstrate that at least 51 percent of the persons who would benefit from CDBG assistance have low or moderate incomes.**

Applicants intending to conduct local surveys of household income must utilize the appropriate income levels established for their county. Applicants must follow the current edition of the DOC Guidelines for Documenting Benefit to Low and Moderate Income Persons which provides further explanation of the federal requirements governing benefit to low and moderate income. (Copies are available from DOC.) An applicant's failure to assure a statistically valid and sufficiently random sample for a



local income survey will be considered sufficient grounds to discount claims made for percentage of benefit to low and moderate income persons during the application review process.

## **I. BUDGET**

Applicants should apply only for the level of funding necessary to carry out the project. Grant requests must be sufficient either by themselves or in combination with other proposed funding sources to complete the proposed activities within a 24 month period. **Each applicant must propose a budget which will assure cost-effective administration and timely project completion.** (Budget forms and guidance on budgeting are available from DOC.)

The total budget of any proposed CDBG project should be divided between "activity costs" (such as "public facilities construction" or "housing rehabilitation") and "administrative costs." The administrative budget covers the costs of implementing a local project, including costs involved in preparing the required environmental review; the cost of the local project audit; and other contractual costs for professional services that may be associated with administration of the program.

**The budget must be accompanied by a narrative justification for the specific proposed CDBG project activities and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-CDBG funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. If other sources of funds are needed to complete the project, the status of these funds, when they will be available, and how they will be coordinated with CDBG funds should also be described.**

Administrative costs must be appropriate and commensurate with the project being undertaken. Any proposed administrative costs must be eligible, fully supported, and explained. In no case may the administrative budget for the grant exceed 18 percent of the total grant requested. Applicants which propose to contract for project management assistance with a consultant or other entity must specifically itemize this amount in the administrative budget and explain it.

**Under no circumstances are costs incurred prior to award of the grant (such as fees for preparing an application, community survey; or needs assessment; costs associated with conducting a local survey, and preliminary engineering studies) eligible for reimbursement in the event of a grant award.**

For public facility projects, line items for construction contingencies should not exceed ten percent of the estimated construction cost.

### Suggestions for Applicants

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the application.

Consideration should be given to costs such as:

- day-to-day project management activities specific to the type of project proposed.
- assuring compliance with State and federal requirements;
- preparation of reports;
- bookkeeping;
- legal services;
- travel or registration fees for project-related training;
- conducting the environmental review and publishing required legal notices;
- appraisals;
- acquisition of land or easements;
- engineering design;
- Davis-Bacon (prevailing wage) requirements which may increase construction costs;
- construction inspections; and
- audit.

The Department recommends that applicants budget from \$2,000 to \$3,000 for final project audit. Applicants should also budget up to \$1,500 for technical assistance from the DOC Local Government Services Bureau in establishing their financial management system for project funds, unless they have recently been a recent grant recipient under the State CDBG Program and have already received this assistance.

## **J. PUBLIC OR PRIVATE SECTOR COMMITMENTS**

**If public or private sector resources are to be involved in a proposed CDBG project, the applicant must provide evidence of the firm commitment of these resources. Such commitments should be binding, contingent only upon the award of CDBG funds for the project.**

In documenting a public sector commitment, the public agency must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency must be documented by a letter of commitment from the agency involved. The commitment of funds or resources may be made contingent upon the award of CDBG funds for the project.

In documenting a private sector commitment, the private party must specify the amount of the commitment and use of the funds. The commitment must be documented by a letter of commitment from the private participant. The commitment of resources may be made contingent upon the award of CDBG funds for the project.

If any portion of the activity is to be self-financed, the private participating party must provide evidence of its financial capability through a corporate or personal financial statement or through other appropriate means.

Grant recipients which will require private, or local, State or federal public resources, in addition to CDBG funds, to implement a proposed CDBG project must have completed, within six months of the date of the announcement of the tentative grant award by the DOC all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated.

No CDBG funds will be released to grant recipients until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds,

other than for administrative purposes, may be obligated or incurred until this condition is released by the Department.

## **K. PROGRAM INCOME FROM HOUSING AND PUBLIC FACILITY PROJECTS**

NOTE: The following discussion of program income does not apply to economic development projects.

"Program income" is any income earned by either a recipient or subrecipient from CDBG supported activities such as repayments of principal and interest from loans for housing rehabilitation and, if authorized by DOC may be retained at the local level to be used for community development activities eligible under the CDBG program. An applicant requesting to retain program income from housing projects must submit, with its application, a plan for the ongoing use and financial administration of any program income.

DOC has the option of establishing a grant condition which requires a grantee to return any program income to the State. The Department would then use the program income returned to the State to fund additional local CDBG projects. HUD regulations provide that the Department must waive this condition "to the extent such income is applied to continue the activity from which such income was derived." The Department's decision to permit a grantee to retain program income from housing projects will be determined based upon the adequacy of the proposed plan for the use and administration of program income submitted as part of the grant application.

Federal regulations provide that if program income is earned prior to closeout of a project, it must be added to funds committed to the project and used to support CDBG eligible activities or spent on costs budgeted for CDBG funds before the grantee can request an additional drawdown of funds from its CDBG project account. The receipt and expenditure of program income must be recorded as part of the financial transactions of the CDBG program. Program income funds received before grant closeout must further be treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

If DOC authorizes a grantee to retain program income, any program income received after project completion and grant closeout may be utilized by the grantee for additional CDBG eligible activities that benefit at least 51 percent low and moderate income persons, according to the terms of the grant closeout agreement. Communities utilizing program income must maintain current information regarding their use of the funds including the following:

- sources of program income, including interest earned;
- dates and amounts of program income deposits and disbursements; and
- a description of the activities funded with program income.

**A summary of this information must be submitted with a grant application by any community which has been receiving program income from a previous CDBG project.**

### **New Program Income Guidelines for 1993 Funded Projects**

Under federal requirements which became effective October 28, 1992 program income generated at the local level **before and after** close-out must continue to be used in accordance with the provisions of Title 1 of the federal Housing and Community Development Act. Therefore, all CDBG regulations and requirements that applied during the term of the project will apply to the program income before and after close-out. Such program income will have to be tracked and reported to states as long as program income continues to be generated. However, there is an exception.

Under the amended regulations, after project close-out for the years 1993 and later, \$10,000 per year of program income, per grantee, is excluded from the definition of program income. The grantee will be free to use this excluded amount for any general government purpose. The DOC will determine the commencement date of the first one-year period.

To address the new federal requirements, the DOC is in the process of establishing new guidelines for local government grantees that retain and use program income. The guidelines will focus on state oversight and local government management and accountability for program income and revolving loans. These new guidelines are expected to be issued later in 1994.

## **L. DOCUMENTATION**

Each applicant should identify the source of supporting data for any statements made in the application. **If local research was conducted to support the application, such as a survey of housing conditions or income levels, the survey methodology must be described and a copy of the survey form with a composite summary of all responses submitted with the application.**

In order to provide common standards for comparison between communities, applicants must utilize the current DOC model formats available for income and housing condition surveys. The applicant may use a survey conducted previously if it conforms to current DOC guidelines and still accurately reflects local conditions. Applicants for the public facilities category must complete the CDBG Public Facilities Financial Information Form.

All original documentation must be retained by the applicant and made available for review in the event that the application is tentatively selected for funding. The lack of adequate documentation to substantiate information contained in the application will be considered sufficient grounds for the Department to re-rank an application, and, if necessary, to withdraw a tentative grant award.

## **M. MAPS**

Each application must include clearly legible maps which illustrate the applicant's political jurisdiction and the proposed project area. Applicants are encouraged to submit maps at the minimum size and scale that will clearly convey all required information. Applicants should submit maps of a different scale where this will increase clarity. More than one type of information may be combined on one map if the information is clearly legible when combined.

### **a. Political Jurisdiction Map**

The map of the applicant's political jurisdiction must identify:

- the boundaries of the entire jurisdiction;
- the project's location within the jurisdiction; and
- if applicable, the service area of the project.

### **b. Project Area Map**

The map of the proposed project area must identify:

- the boundaries of the project area;

- the locations of all proposed activities such as land to be acquired, buildings to be demolished, streets or water lines to be reconstructed, and blocks where housing will be rehabilitated; and
- the boundaries of any 100 year floodplain designated by the Federal Emergency Management Agency.

Applications for housing grants must include a map depicting the structural condition of all housing units and other buildings within the project area, as well as the locations of structures to be demolished or areas where clearance activities will occur.

All project activities must take place within the project area boundaries, unless specifically authorized by DOC.

Maps identifying the enumeration districts within each county may be ordered from the Census and Economic Information Center, Montana Department of Commerce, Capitol Station, Helena, Montana 59620, (Telephone 444-2896). Microfiche copies of the county enumeration district maps are available free; paper copies of the maps may be purchased.

Maps of Montana's counties, cities and towns can also be ordered from the Montana Department of Transportation, 2701 Prospect Avenue, Helena, Montana 59620 (Telephone 444-6119) - contact Data Collection and Analysis Section.

Maps of designated flood plains may be ordered from the Montana Department of Natural Resources and Conservation, Water Operations Bureau, 1520 East Sixth Avenue, Helena, Montana 59620 (Telephone 444-6654).

## **N. CERTIFICATIONS FOR APPLICATION**

**Each applicant must agree to comply with all applicable federal and state requirements in implementing their proposed CDBG project, if selected for funding. The major federal requirements are set out in Appendix D (the CDBG Certifications for Application). A copy of the Certifications for Application signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the application for CDBG funds.**

Applicants should carefully review these requirements and consider their potential impact when designing their CDBG project. These laws cover a wide range of issues including environmental impacts, labor standards, employment practices, financial

management, and civil rights, many of which can have an affect on the costs or complexity of project administration. Communities with questions regarding any of these requirements and their potential impact on the project being considered should contact the DOC CDBG staff for guidance.

#### **O. RESOLUTION TO AUTHORIZE APPLICATION**

Each application for CDBG funds must be accompanied by a copy of a resolution or motion duly adopted or passed as an official act by the applicant's governing body within six months of the date of application which:

- authorizes the submission of the application;
- states the applicant's willingness to abide by the federal requirements described in the CDBG Certifications for Application (Appendix D); and
- authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required.

Sample formats for this resolution are available from the DOC.

The DOC will assume that the applicant has determined its legal authority under Montana law to apply for the grant and to conduct the activities proposed in the application. The Department may request additional information from the applicant if it is aware of any evidence to the contrary.

#### **P. PROJECT MANAGEMENT**

As part of its application, each applicant must submit information which, at a minimum:

1. addresses the local government's plans for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start-up and completion of project activities;
2. identifies the person or persons who will be responsible for day-to-day grant management (or position descriptions developed for these persons) and any contracted services to be utilized in carrying out the project;



3. includes a quarterly schedule for project implementation which identifies the timeframes for major activities and expenditures and the coordination of non-CDBG resources for the project;
4. addresses potential environmental concerns; and
5. if more than a single funding source or organization is involved, a description of how these will be coordinated and directed and when these funds or assistance will be available. The applicant must demonstrate adequate pre-planning to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for the other resources to be involved in the project.

To be awarded a grant under the CDBG Program, a local government must have the management capacity to undertake and satisfactorily complete the project it is proposing within 24 months of grant award. An applicant is assumed to have the capacity to undertake the proposed project unless available information raises a question concerning an applicant's capacity. If any question arises during the evaluation of the application, DOC may request additional information.

If an applicant does not believe that it currently has the capacity to manage a CDBG grant, it may propose to hire administrative staff or arrange for project administration by another local government through an interlocal agreement or by contracting for administrative services with a consultant, after grant award. **In all cases, the applying local government assumes direct responsibility for proper financial management of the CDBG funds awarded to it.**

#### **Q. ENVIRONMENTAL IMPACT**

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being planned in order to avoid problems which could delay or even prevent a project from being implemented.

Appendix D (Certifications for Application) contains a listing of the major federal environmental statutes and regulations which will apply to all CDBG funded projects.

In addition, a form entitled "Checklist of Environmental Considerations for CDBG Applications" is available from DOC to further assist potential applicants to evaluate possible environmental impacts of projects under consideration. Local officials who have any concerns or questions regarding the potential environmental impacts of their proposed CDBG project or the environmental requirements should contact DOC for guidance in advance of submitting their application for CDBG funds.

## **R. DISPLACEMENT**

The federal Housing and Community Development Act requires each State to minimize the displacement of persons which may occur as a result of activities assisted with CDBG funds. HUD regulations require that if any CDBG activity could result in displacement, the grantee must adopt a plan for minimizing displacement of persons and mitigating any adverse effects of displacement on low and moderate income persons. CDBG grantees must provide reasonable benefits and relocation assistance to any person involuntarily and permanently displaced as a result of the use of CDBG funds to acquire or substantially rehabilitate property, including businesses. In addition, HUD requires that grantees provide reasonable benefits to persons displaced as a result of the use of CDBG funds in cases which are not governed by the Uniform Relocation Act.

The Act also requires the DOC "to adopt a residential antidisplacement and relocation assistance plan." In order to receive CDBG funds, grant recipients must certify that they are following the plan. This certification is included in the Certifications for Application (Appendix D) that each applicant must sign and submit with the CDBG application. Montana's Antidisplacement and Relocation Assistance Plan is included in Appendix E.

The act prohibits the use of CDBG funds to displace low or moderate income persons or demolish vacant habitable dwelling units, unless the grant recipient provides replacement housing and pays relocation costs. Replacement housing must be of equal value, be in standard condition, and reasonably expected to be available to low and moderate income persons for ten years.

The one-for-one replacement unit requirement can be waived only if it can be demonstrated that the area has enough vacant habitable and affordable housing for the affected households. However, grant recipients still have to cover all relocation costs and offer a HUD Section 8 housing voucher or certificate or pay subsidies to hold the cost of housing for any displaced household at no more than thirty percent of their gross income, for a period of five years.

Communities planning CDBG projects which may involve displacement of local residents or businesses, should contact DOC for guidance on the federal requirements which will apply.

## **S. ACQUISITION**

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "fair market value". As an alternative, "voluntary" acquisition procedures containing fewer steps can be undertaken if the local government agrees to waive its right of eminent domain in the event negotiations fail to result in a mutually acceptable agreement. Local governments having any questions regarding acquisition of real estate should contact DOC for further guidance.

## **IV. APPLICATION EVALUATION AND RANKING**

Because of the serious problems faced by Montana communities, the demand for CDBG funds has always far exceeded the amount available. Because the program is so competitive, an application ranking procedure has been developed to provide an objective means to evaluate the degree to which a proposed project responds to the criteria for its type of project. The housing and public facilities categories use different ranking criteria in order to provide measures which are appropriate to each type of project.

The purpose of the CDBG ranking process is to assist in the award of the State's limited CDBG funds to the community projects which, overall, best respond to the requirements and objectives of Montana's CDBG Program. Applications for each grant category will be evaluated by applying the ranking criteria to proposed project activities. These criteria have been established to identify projects which are well planned and most clearly further State and national objectives for the CDBG program. Applications will be evaluated against others competing in the same category. The assignment of points provides a means to objectively rank the projects in order of quality and will be done in a manner that is accountable to the criteria in the guidelines. The point weights also provide a mechanism to compare ranking scores to assure that applications are being evaluated consistently and fairly.

### **A. SELECTION OF APPROPRIATE GRANT CATEGORY**

The selection of the appropriate grant category is the applicant's responsibility. If an application is submitted under an inappropriate category, DOC reserves the right to review it under the proper category, whether as part of the spring public facility competition or fall housing competition. If it is determined that it is necessary to change the category of an application, the applicant will be notified.

Local officials having any concern or questions regarding the proper category for the CDBG project they are considering should contact the DOC for guidance as early as possible in the process of preparing an application.

Any project under consideration for a CDBG application should be compared against the ranking criteria for the appropriate grant category. Not all the criteria in each category are of equal importance. Each criterion has been assigned a number representing its relative priority or weight. By reviewing the criteria and weight in potential points assigned to them, applicants should have a better sense of the major

issues involved in designing a competitive proposal and the relative effort which should be devoted to responding to each criterion. Any person with a question or concern regarding any of the ranking criteria should contact the Department's CDBG staff prior to application.

The individual applications submitted under each project category will vary depending upon the project activities proposed, the size and character of the municipality or county applying, and each applicant's unique response to its own particular community's specific needs. Because no purely quantitative measures exist which can anticipate the variety of potential community development needs and all responses to them, the ranking must be, in part, subjective. In evaluating the applications, DOC will take into account not only how well each applicant addresses the problems it has defined, but also how its problems and response compare with those of other applicants in the same grant category.

## **B. RANKING PROCEDURES**

Upon submission, DOC CDBG staff will review each application for completeness and for conformance to federal and State CDBG requirements. An application may be disqualified from a scheduled grant competition if it fails to comply with a general requirement applicable to all CDBG applications or a special requirement for the grant category applied for. Disqualified applicants will be notified in writing of the reason for disqualification.

Applicants are expected to keep DOC informed of any developments during the review process which could affect the viability of the proposed project. DOC may contact the applicant to obtain omitted information, to clarify issues, or to verify information contained in the application.

Ad hoc ranking teams for each project category will be appointed from State agency staff. Applications will be evaluated by the ranking teams using the appropriate criteria and numerical point systems described in these CDBG application guidelines. The ranking teams will serve in an advisory capacity to the DOC Director regarding the applications that should be considered for CDBG awards.

DOC may supplement application materials, as needed, by consulting public or private agencies knowledgeable about proposed projects or particular community problems. DOC will provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. Site

visits may be made to the proposed project area for the purpose of verifying or further evaluating information contained in the application.

After reviewing each application and any technical review comments, the ranking team will assess the degree to which the proposed project responds to each of the applicable criteria. Scores will be assigned according to the point values established for the criteria. A failure to respond to a criterion will result in no points being awarded for that criterion. If the ranking team determines that the applicant has inadequately documented specific statements or claims made in responding to a criterion, it may assign the application a lower score than would otherwise have been assigned based on the statement or claim itself. Likewise, numerical or percentage claims will be accepted and considered valid only to the extent to which they are clearly substantiated by accompanying documentation.

Because each application must stand or fall according to its intrinsic merits, representatives of applicants will not participate in the application review and ranking process. In making their evaluations the ranking teams may seek the expertise of outside technical authorities, such as staff from the Department of Health and Environmental Sciences.

The ranking teams will submit their written findings and recommendations for grant awards to the DOC Director for his consideration, based upon the order of scores assigned by the ranking teams for the applicants in each category. The final decision on grant awards will be made by the Director. In the event that the Director revises any of the scores assigned by the ranking teams or selects an application for award other than those recommended by the ranking teams, the Director will prepare a written finding, consistent with the criteria established in these application guidelines, describing the rationale upon which the alternate score was assigned or award was made.

The actual number and types of awards will be subject to funding availability, the amount of each applicant's request, and the procedures set out under "Distribution of Funds." In the event of tie scores, projects will be selected on the basis of the Director's judgment of the overall quality of the proposed projects and their consistency with the goal and objectives of the Montana CDBG Program.

## **C. SPECIAL REQUIREMENTS AND RANKING CRITERIA**

The special requirements for each grant category which must be met in order for an applicant to be eligible for an award of CDBG funds, as well as the ranking criteria applicable to each grant category are set out in separate chapters of these guidelines:

### **Chapter V - Housing Projects**

### **Chapter VI - Public Facilities Projects.**

Each category has its own set of special requirements and ranking criteria which are used to rank projects applying under that category.

## **V. HOUSING PROJECTS AND NEIGHBORHOOD REVITALIZATION**

**Note:** This chapter covers the special requirements and ranking criteria which are applicable to CDBG housing and neighborhood revitalization applications. The chapter must be read in conjunction with Chapter III, General Requirements For All CDBG Applications, which describe the general requirements and policies which are applicable to all applications for CDBG funds.

### **A. INTRODUCTION AND INTENT**

The CDBG housing and neighborhood revitalization category is intended to rehabilitate or provide permanent, long-term housing. In addition, one of the original objectives of the federal Housing and Community Development Act of 1974 was not only to improve housing standards, but to provide a tool to address neighborhood deterioration and community blight. It is the intent that the CDBG housing and neighborhood revitalization category be used to comprehensively address substandard housing conditions, inadequate supply of affordable low and moderate income housing, and conditions causing community blight.

Projects designed to provide temporary, short-term housing facilities (for example, transitional housing, homeless shelters, emergency shelters) would fall under the public facilities category.

The housing and neighborhood revitalization grant category allows a variety of activities which can be directed toward improving or preserving residential areas and providing decent, safe, and sanitary housing for low and moderate income families. Of all the three basic types of projects, housing and neighborhood revitalization projects normally provide the highest degree of benefit to low and moderate income families. They can create the most direct and dramatic visual impact upon a community by improving the quality of homes and removing blighting influences from local neighborhoods. They can also create a significant financial impact upon local communities by providing employment for local contractors and sales for building materials suppliers. In addition, a community can establish a revolving loan fund with repayments from loans it can make with its initial CDBG to make additional housing rehabilitation loans or public improvements in the future.



## Types of housing and neighborhood revitalization activities:

### Housing Rehabilitation and Neighborhood Revitalization

Housing rehabilitation projects focus on bringing housing units up to basic code standards by improving electrical systems, plumbing, and roofing, providing for energy conservation measures such as installation of adequate insulation or energy-efficient furnaces, doors, and windows. CDBG funds are most often used to make low or no interest loans to low and moderate income families to allow them to rehabilitate homes in substandard condition. CDBG funds are also frequently loaned to landlords to allow them to rehabilitate rental units which will be rented to low or moderate income families.

CDBG recipients have developed a variety of funding mechanisms to increase the amount of funds available for housing rehabilitation loans by getting local lenders involved in CDBG projects and by encouraging the use of direct low-interest loans to homeowners, rather than grants. HUD has strongly supported these "public-private partnerships" and efforts to "leverage" private investment and other public funds in housing rehabilitation through the use of CDBG funds to "buy down" private sector loans to the point where they would be affordable to low and moderate income homeowners. Programs which involve local lenders or direct loans from the local government do not have to be overly complex to be successful and are within the administrative capacity of most small communities.

To address neighborhood revitalization, local governments are also encouraged to consider complementary activities such as neighborhood clean-up, fix-up activities; water, sewer, and street improvements; or other related activities depending on local conditions that would maintain and enhance overall appearance and safety, neighborhood pride, and property values within the surrounding neighborhood or community.

### Demolition

Communities frequently use CDBG funds to demolish vacant unsafe buildings in order to encourage overall revitalization of the neighborhood selected for housing activities.

### New Construction

In developing grant proposals, local governments are encouraged to consider those housing activities which maintain and increase the supply of affordable housing units in a decent safe and sanitary condition. CDBG funds can be used to finance or subsidize the construction of new permanent residential units where the CDBG funds will be used by a local nonprofit organization.

### Other New Housing-Related Activities

Housing projects can include the acquisition, clearance, or rehabilitation of sites for use or resale for new housing; site improvements to publicly-owned land or land owned by a non-profit corporation to be used or sold for new housing; or, conversion of existing nonresidential structures for residential use.

### Public Facilities and Site Improvements Related to Housing

Communities can use CDBG funds to construct public facilities, such as water and sewer lines, or undertake other site improvements related to housing, as part of an overall housing effort to encourage neighborhood revitalization or promote the creation of new, affordable housing.

### Homebuyer Assistance

Homebuyer assistance to expand homeownership among low and moderate income persons is also an eligible CDBG housing activity. These activities include the subsidy of interest rates and mortgage amounts for low and moderate income homebuyers, financing the acquisition of housing that is occupied by the homebuyers, providing up to 50 percent of any down payment required, or paying reasonable closing costs. Details are described in Appendix C, Summary of Eligible Activities, Section 105(a).

## **B. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING HOUSING REHABILITATION AND NEIGHBORHOOD REVITALIZATION**

In addition to the general requirements which are applicable to all CDBG projects, applicants for a housing rehabilitation and neighborhood revitalization grant must meet the following special requirements in order to be eligible for an award of CDBG funds.

## 1. Structural Condition Surveys and Maps

In order to provide a common standard to allow for comparison between communities, DOC has prepared a model structural condition survey form. Applicants planning to conduct a local survey must use the DOC form. Copies are available upon request from DOC.

**Applications for housing rehabilitation and neighborhood revitalization grants must include a map depicting the structural condition of housing units and other buildings within the proposed project area.**

The map should graphically represent the results of the local housing survey by indicating the location and condition of all structures in the proposed project area, including:

- Standard housing units;
- Moderately substandard housing units;
- Substantially substandard housing units;
- Severely substandard housing units (appropriate for demolition), and
- Vacant housing units among the above categories.

**The general condition of nonresidential structures and land uses within the proposed project area must also be described, as well as any significant blighting features in the area.**

## 2. Housing Data Summary Form

In addition to the structural condition survey and maps, applicants proposing housing rehabilitation must also complete the Housing Data Summary Form, available from DOC. The Housing Data Summary Form addresses most areas pertinent to evaluations of applications described in this chapter. This form is used to present data specific to housing conditions within the designated housing project area.

### 3. Targeting of Housing and Neighborhood Rehabilitation Projects

Local governments may choose to direct or "target" a housing rehabilitation and neighborhood revitalization project towards a single concentrated area of high need in order to assure adequate recognizable impact. For small communities, the most appropriate area may be the entire community. All project activities would take place within the project area boundaries unless specifically approved by DOC.

Local governments may also propose "non-traditional" kinds of housing rehabilitation and neighborhood revitalization activities. Rather than choosing to address a specific geographic project area, applicants may incorporate a "scattered site" approach based upon other methods of "targeting" housing rehabilitation and community revitalization. Examples would be "targeting" assistance to meet the housing rehabilitation needs of a particular low and moderate income group, - such as extremely low income persons, elderly, or handicapped persons, and still achieve a recognizable impact within the community. As part of an overall strategy, applicants may also choose to target funds for the rehabilitation of highly visible, deteriorated housing units owned and occupied by low and moderate income persons. Applicants may also propose to target the removal of vacant, highly visible, deteriorated structures or other blighting influences.

### 4. Code and Standards Enforcement

"Rehabilitation" includes using CDBG funds to make repairs to substandard residential structures to make them meet or exceed requirements contained in current editions of the following:

- HUD Section 8 Housing Quality Standards;
- HUD Cost-Effective Energy Conservation Standards (CEECS);
- National Electrical Code, as amended;
- Uniform Plumbing Code, as amended;
- Uniform Mechanical Code;
- Uniform Building Code

- CABO (Council of American Building Officials) One and Two Family Dwelling Code, as amended; and
- Any locally adopted codes, such as the Uniform Code for the Abatement of Dangerous Buildings, as amended.

The Montana CDBG Program utilizes the definition of "substandard buildings" contained in the latest authorized edition of the Uniform Housing Code published by the International Conference of Building Officials. This information is available from DOC. Copies of the HUD Section 8 Housing Quality Standards and CEECS are also available from the Department.

Permits must be obtained from DOC's Building Codes Bureau for all electrical and/or plumbing work undertaken with CDBG funds unless the grant recipient has been certified by the Bureau to enforce the codes cited above. In such cases, permits will be obtained locally. In addition, in those cases where the grant recipient has not been certified by the Building Codes Bureau, permits must be obtained from the Bureau for general building and mechanical work when rehabilitation involves structures with five or more units, or any commercial or public buildings.

Grantees will be responsible for assuring that such work is inspected by proper authorities. Options to provide code inspection may include interlocal agreements with governments with existing building departments, arrangements with DOC's Building Codes Bureau, or by contracting with qualified, private sector persons. Where possible, to preserve independence local governments are encouraged to utilize the services of a separate individual to perform inspection services. All electrical and/or plumbing work not done by the owner of a single family structure must be done only by electricians and/or plumbers licensed by the State of Montana.

**In responding to the "Project Management" ranking criterion, applicants must include a description of their plan to ensure enforcement of the applicable federal and State housing building standards listed above for the housing units to be assisted with CDBG funds.**

#### 5. Year-around Occupancy

Housing to be rehabilitated with CDBG assistance must be intended for year-round occupancy by low and moderate income families.

## 6. Affordability of Rents and Loan Repayments

### a. Rents

**HUD regulations require that in order for the rehabilitation of multi-unit structures to qualify as benefiting low and moderate income persons, "...the units must be occupied by low and moderate income persons at affordable rents."**

Grantees have the option of either establishing their own schedules for affordable rents, or utilizing rent schedules not to exceed the current edition of the HUD "Section 8 Existing Fair Market Rents". This standard specifies maximum rents (including utility costs) by bedroom size, by county, for units available on the open market which already meet decent, safe, and sanitary criteria under federal guidelines, and do not require rehabilitation.

HUD's Fair Market Rents are adopted for the HUD Section 8 Program which provides housing for low and moderate income families that cannot afford to pay the prevailing rents in a community. The HUD Fair Market Rents are based on the availability of federal rent subsidies for the families participating in the Section 8 program. Because of this the rents are usually higher than market rates. The use of the HUD Section 8 Existing Fair Market Rents to set ceilings on rental units rehabilitated with CDBG funds (for which no rent subsidy is available) could result in establishing maximum rental rates which may not be affordable to low and moderate income families.

**As an alternative, grant recipients are encouraged to establish their own schedules of affordable rents based on actual surveys of prevailing rents in the community for various bedroom sizes of rental units. Consistent with existing policy for other HUD-assisted housing programs, DOC recommends that locally adopted affordable rent schedules be established on the basis of not more than 85% of estimated typical rents in the community, according to the number of bedrooms per rental unit. According to HUD, "the 85 percent figure represents the lowest rent range at which a supply of standard quality units is normally available."**

### b. Loan Repayments

Where rehabilitation assistance will be provided through loans to homeowners, in order to assure that the assistance will be affordable, grant recipients must incorporate provisions to assure that no more than 30% of a borrower's gross monthly income will be used to repay the total of the principal and interest, property taxes and insurance (or 35% if the average cost of monthly utilities is included).

Local governments have the option of establishing lower standards or other debt-to-income ratios which consider other existing debt of borrowers, such as an automobile loan or fixed, long-term medical or day care expenses.

## **7. Mobile Homes**

Mobile homes and manufactured houses must conform to the following requirements in order to be eligible for rehabilitation with CDBG funds:

- the unit meets or exceeds the standards established by the National Mobile Home Construction and Safety Standards Act of 1974 (42 USC 5401 et seq.);
- the unit and the land it rests on is in common ownership; and
- upon completion of rehabilitation activities, the unit will be attached to a permanent foundation which cannot reasonably be relocated and which conforms to the Montana Department of Revenue criteria for assessment as an improvement to real property for tax valuation purposes.

DOC will waive these requirements only when it finds, based on information provided by the grantee, that no alternative affordable housing is available for residents of such units in the community. All rehabilitation work must still meet Section 8 Housing Quality Standards and all other codes, as applicable.

## **8. Local Rehabilitation Guidelines**

**For those projects involving housing rehabilitation, a summary of the draft local guidelines and procedures to be followed for the proposed housing rehabilitation project must be included in the CDBG application.**

In view of the extent of Montana's needs for rehabilitation of substandard housing and the limited CDBG funds available, DOC encourages applicants to address the following in their rehabilitation guidelines:

- special financing techniques to "leverage" CDBG funds to encourage investment by homeowners and lenders, thereby increasing the total amount of funding available in order to assist a greater number of households;

- the targeting of assistance to low and moderate income households identified as having special needs such as those with low incomes, female heads of household, or elderly, handicapped or minority members;
- specific financing procedures (affordability analysis) designed to recognize homeowners' existing housing costs and ability to afford the costs of rehabilitation;
- policies to provide a reasonable return on investment for rehabilitation of rental units undertaken by landlords;
- the establishment of a reasonable ceiling on the amount of funds to be spent on any one household;
- policies to encourage comprehensive rehabilitation work on individual units to restore them to a safe, decent and sanitary condition and provide a suitable living environment with primary emphasis on addressing basic housing code deficiencies, and
- policies to encourage the removal of blighting influences on the property of assisted housing units and in the neighborhood of the CDBG project.

#### References for Preparing Local Housing Rehabilitation Program Guidelines

**Copies of local housing rehabilitation program guidelines from other communities, as well as copies of previously successful CDBG applications and other related reference materials are available upon request from DOC staff.**

- DOC has copies available of a 1986 HUD publication, Housing Rehabilitation for Small Cities (Second Edition) which includes an excellent discussion of the key issues involved in designing a local CDBG housing rehabilitation program, including an explanation of various techniques for encouraging the leveraging of private funds and for analyzing applicants' ability to repay rehabilitation loans.
- A workbook prepared for a statewide housing rehabilitation workshop conducted by DOC in 1985 is also available upon request. The workbook contains additional information regarding leveraging techniques, program marketing, and specification writing for rehabilitation bids.



- In 1993, DOC received a HUD grant to obtain the services of a consultant to prepare a comprehensive housing rehabilitation manual. It is expected that this manual will be available for use by local governments by the late spring of 1994.

### **C. SPECIAL REQUIREMENTS FOR PROJECTS INVOLVING NEW HOUSING CONSTRUCTION**

CDBG funds may be used to finance or subsidize the construction of new permanent residential structures only under the following circumstances:

- If the housing is constructed by a local, community-based, public or private nonprofit organization.
- If grant recipients reconstruct housing on the same site which is owned and occupied by low or moderate income persons where the need for the reconstruction was not determined until after CDBG-assisted rehabilitation began; or
- If grant recipients construct housing of "last resort" under 24 CFR part 42, Sub-part I. This housing is limited to housing newly constructed for persons displaced by a CDBG project in which the project is prevented from proceeding because comparable replacement housing is not available otherwise.

However, several activities which support new housing may be carried out using CDBG funds even if they do not fall within the limited circumstances above under which new housing construction is eligible, including:

- \* Acquisition of sites for use or resale for new housing;
- \* Clearance of sites for use or resale for new housing;
- \* Site improvements to publicly-owned land or land owned by a nonprofit organization to be used or sold for new housing;
- \* The cost of disposing of real property, acquired with CDBG funds, which will be used for new housing; or
- \* The cost of converting an existing non-residential structure to residential use.

Applicants for new construction do not need to attach structural condition surveys. All newly constructed housing units will have to meet applicable property standards, including Section 8 Housing Quality Standards, and local laws and building codes. When constructing 8 or more units in a CDBG-assisted project, federal labor standards (Davis-Bacon wage requirements) also apply.

#### Cash Flow Analysis

CDBG applications involving new housing construction must include a forecasted project cash flow statement (income and expense statement) analyzing income expected to be derived from a project and all project expenses. Projected expenses should include management and administration costs; utility costs; repairs and maintenance costs; insurance and taxes; reserves; and debt service.

#### **D. APPLICATIONS ON BEHALF OF NONPROFIT ORGANIZATIONS**

Applicants applying on behalf of nonprofit organizations which will construct, operate and own, or lease an assisted facility or property must submit the information described in Appendix H, Special Requirements for Projects Involving Nonprofit Organizations.

## HOUSING CATEGORY RANKING CRITERIA

Housing applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points, based on the following ranking criteria:

1.	Project Planning and Selection	100 Points
2.	Need	150 Points
3.	Community Efforts	100 Points
4.	Project Strategy and Impact	200 Points
5.	Benefit to Low and Moderate Income	150 Points
6.	Project Implementation and Management	<u>100 Points</u>
TOTAL:		800 Points

**1. PROJECT PLANNING AND SELECTION -- 100 points.**

In responding to this criterion, applicants should address the following:

- the appropriateness and adequacy of the applicant's needs assessment process and citizen participation efforts;
- the relationship of the proposed housing project to the community needs assessment; and
- how the proposed project will benefit low and moderate income persons.

**Please refer to Section E., Community Development Needs Assessment, within Chapter III of these Guidelines for guidance.**

In applying the criterion, the Department will consider whether:

- a. there is evidence of active citizen participation, especially that of low and moderate income residents, in the development of the community needs assessment, in the selection of the CDBG project and project area, and of the applicant's efforts to thoroughly address any adverse impacts of the project on low and moderate income residents; (dates and times of public hearings, attendance lists, and brief meeting summaries will be considered);
- b. the applicant has assessed its community development needs for economic development, housing, and public facilities, taking into consideration all local, State and federal sources and has developed a thorough and achievable long-term comprehensive plan for dealing with its overall needs in relation to its financial capacity and available sources of funding;
- c. the applicant has established priorities for dealing with its overall housing and related needs within the areas of housing rehabilitation, demolition, neighborhood revitalization, new construction, public facilities and site improvements related to housing, first-time homebuyer assistance, or other special housing needs, as applicable; has reviewed its alternatives for dealing with those needs, taking into account all local, State and federal housing resources; and
- d. the application has considered the relationship between the community's overall housing and neighborhood revitalization needs and the needs identified in the

most current version of the State of Montana Comprehensive Housing Affordability Strategy (CHAS); and

- e. the applicant has demonstrated a sound rationale describing why the housing activities proposed are the most appropriate ones to meet the identified needs by discussing the alternatives considered before selecting this option.

**Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:**

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>
<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

## **2. NEED -- 150 points**

The need for housing improvements or neighborhood revitalization generally results from the deterioration of the local housing stock or the lack of affordable housing due to an inadequate supply of units, to low incomes, high interest rates, market demand, or rising energy costs. The application narrative must address the applicant's housing needs from the following categories for the specific category (or categories) for which the applicant is seeking CDBG funding:

- housing rehabilitation and neighborhood revitalization;
- demolition;
- new construction;
- other new housing-related activities;
- public facilities and site improvements related to housing;
- homebuyer assistance; and
- other housing and neighborhood revitalization related activities.

### **Housing Rehabilitation and Neighborhood Revitalization**

For applications proposing housing rehabilitation and neighborhood revitalization activities within a defined project area, the narrative must include a description of the project area including the number and percentage of:

- standard housing units;
- moderately substandard housing units;
- substantially substandard housing units;
- severely substandard housing units (appropriate for demolition); and
- vacant housing units among the above categories.

Applicants must attach the completed Structural Condition Survey Form and Housing Data Summary Form available from the Department.

The description must differentiate between housing conditions for owner-occupied versus rental housing units. The description and accompanying map must also address the general condition of nonresidential structures and land uses within the proposed project area, as well as any significant blighting features in the area.

#### New Construction

In evaluating requests for new construction, the department will consider the need for the new construction and whether compared with all other applications the applicant has appropriately documented the lack of affordable housing and the conditions generating the inadequate supply of dwelling units.

#### Applicants Who Have Not Previously Received Major Housing Assistance

In evaluating need, special consideration will be given to communities which have not received CDBG housing assistance before or have not been recipients of other major state or federal housing assistance programs within the last ten years, while also demonstrating a serious housing need.

In applying the "Need" criterion, the Department will consider the need relative to the particular housing and neighborhood revitalization activity proposed, whether housing rehabilitation, other related housing neighborhood revitalization activities, new construction, site improvements, or home buyer assistance.

In applying the "Need" criterion, the Department will consider whether:

- a. the applicant has thoroughly documented and assessed its overall community housing and related needs as well as the needs within the project area, including the particular needs of both low and moderate income households (including owners and renters) and households which may have special needs such as those with low incomes, female heads of family and minority, elderly or disabled household members;
- b. compared with all other housing applications, the applicant has thoroughly analyzed housing conditions and has strongly documented the

following, as applicable to the project for which the applicant is seeking CDBG funds:

1. inadequacy of a project area housing stock;
  2. shortage of available, affordable housing;
  3. major dilapidation or deterioration of housing; and/or,
  4. the existence of severe blighting conditions and revitalization needs in a community, sub-area, or neighborhood;
- c. in the case of housing rehabilitation proposals, the applicant has appropriately documented a reasonable percentage or number of substandard housing units that are suitable for rehabilitation;
- d. in the case of new construction or other related housing activities, the applicant has appropriately documented the lack of affordable housing or other conditions which necessitate special housing activities.
- e. the local government has been a prior recipient of CDBG housing assistance, or has received major assistance from another state or federal housing assistance program within the last ten years.

The applicants considered to be facing the highest overall need for housing rehabilitation, neighborhood revitalization, new housing construction, or other housing related activities will receive the highest score. The receipt of prior federal or state housing assistance will also be considered. All other applications will be ranked against the highest scoring applicants as follows:

<b>HIGHEST NEED</b>	<b>150 points</b>
<b>ABOVE AVERAGE</b>	<b>113 points</b>
<b>AVERAGE</b>	<b>75 points</b>
<b>BELOW AVERAGE</b>	<b>38 points</b>



### 3. COMMUNITY EFFORTS -- 100 points

Each applicant must demonstrate that the proposed CDBG activities offer a solution to an identified community development need which could not reasonably be accomplished by the applicant without CDBG assistance. The applicant must demonstrate that the level of local public and private financial participation in the proposed project is the maximum that it can reasonably be expected to provide. The applicant should outline steps taken to secure financing or other resources, and the results of those efforts.

The Department will consider whether the applicant has provided evidence of serious efforts to thoroughly seek out and secure the firm commitment of alternative or additional funds and services from all appropriate public or private sources to enhance the impact of the proposed project.

In documenting a commitment, the applicant must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency, private organization, or lender must be documented by a letter of commitment from the agency, organization, or lender involved. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the project.

**Please refer to Section J., Public or Private Sector Commitments, within Chapter III of these Guidelines for guidance.**

In applying the "Community Efforts" criterion, the Department will consider whether:

- a. relative to the applicant's financial ability, the applicant has demonstrated that the level of local public and private sector financial participation in the proposed project is the maximum that can reasonably be expected;
- b. relative to the applicant's financial ability, the applicant has undertaken or will undertake non-CDBG financed efforts in the community and/or project area to address the identified housing and neighborhood revitalization needs such as:
  - improvements to public facilities;

- community or neighborhood "cleanup", "paint-up", "fix-up" campaigns by volunteer civic groups or the local government;
  - establishment of tax incentives for building remodeling authorized under Montana law (Section 15-24-1501, MCA);
  - adoption of "community decay" ordinances for blight removal as authorized under Montana law (Section 7-5-2111, MCA, for counties, and Section 7-5-4104, MCA, for municipalities);
  - has enforced or is prepared to aggressively enforce the Uniform Code for the Abatement of Dangerous Buildings to eliminate dilapidated or deteriorated buildings, such as the clearance of a substantial portion of unsafe, vacant, deteriorated structures which cannot be economically rehabilitated;
- d. the applicant has thoroughly analyzed its housing needs and officially adopted a long term housing plan and has integrated it with local planning and zoning policies, or the local CHAS;
- e. if program income from previous CDBG housing grants has been received, the applicant has documented the successful use of the program income funds to further address the housing needs of low and moderate income households and will commit any available funds to the project; and
- f. the applicant has secured firm commitments from local lenders to provide private funds in combination with CDBG funds at favorable terms and conditions, or as secured firm commitments for assistance from other State or federal funding sources, such as the Montana Board of Housing or Federal Home Loan Bank.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>
<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

#### **4. PROJECT STRATEGY AND IMPACT -- 200 points**

This criterion will consider:

- the degree to which the applicant has developed a complete, well reasoned, appropriate and achievable strategy;
- the extent to which the proposed activities represent the applicant's most effective option for achieving maximum impact on identified housing and community revitalization needs;
- the degree to which any proposed secondary activities are clearly complementary to and in support of the principal housing and community revitalization project; and
- the applicant's efforts to avoid adverse impacts from the project.

Each applicant must provide a narrative which describes the nature of the overall Project Strategy and Impact. In applying this criterion, DOC will consider whether:

- a. the applicant has developed a complete, well reasoned, appropriate and achievable strategy for dealing with identified housing and community revitalization needs, taking into consideration all available public and private resources and local capacity;
- b. the proposed activities and policies represent the applicant's most effective option for achieving maximum impact on identified housing and community revitalization needs, given the complexity of the needs and the limited funds available for the proposed project;
- c. the applicant is dealing comprehensively with the housing needs of homeowners and renters, persons in different income categories, and households having special needs;
- d. any proposed secondary activities are clearly complementary to and in support of the principal housing and community revitalization project and enhance the overall impact of the project;

- e. the proposed financing terms encourage the "leveraging" of other public and private sector resources and will provide for analysis of the financial situation of each housing assistance applicant, including homeowners, renters and landlords to ensure that terms and financing techniques are appropriate and affordable, and consistent with prudent management of limited public funds;
- f. the proposed "leveraging" arrangements are supported by firm commitments from developers and financial institutions, and therefore a high likelihood exists that additional housing units will be created or rehabilitated, or otherwise assisted beyond that possible using CDBG funds alone;
- g. the applicant has realistically assessed the potential response of homeowners, renters and the owners of rental housing to the selected project design;
- h. the number and type of housing units and the CDBG cost per unit to be assisted, as well as the extent of improvements proposed, are reasonable based on conditions in the community.
- i. the project will expand housing opportunity and choice for low and moderate income persons through the provision of housing which was not available previously, such as facilitating the construction of new housing;
- j. if housing rehabilitation is proposed:
  - the applicant has chosen to target a geographic area of high need, in terms of concentrations of low and moderate income and substandard housing suitable for rehabilitation, which offers a reasonable potential for generating substantial recognizable impact; or
  - in the case of other proposed, "non-traditional" housing rehabilitation and community revitalization strategies the strategy offers a strong potential to reduce substandard housing and community blight, and at the same time meets the needs of a particular low and moderate income group and still offers a reasonable potential for generating recognizable impact; and
  - the applicant will provide related housing services to the community in support of the housing rehabilitation project such as housing rehabilitation counseling, provision of rehabilitation workshops for non-CDBG eligible residents, or outreach or referral programs to publicize non-CDBG options for financing home improvements;

- k. if land assemblage is proposed, firm commitments have been obtained for new construction on the sites to be acquired;
- l. if acquisition and demolition is proposed, occupancy of the units identified as requiring clearance has been determined, and if necessary, an appropriate and cost-effective relocation strategy has been developed; and
- m. in instances where the local government or nonprofit entity will assume an ongoing subsidy of the project (for example, Section 8 rent assistance), the level of subsidy, effect of the subsidy on local revenues, and the anticipated long-term benefits of the project will also be evaluated;
- n. for projects involving improvements to public facilities as part of a housing project, the applicant has:
  - taken steps to assure that low and moderate income households will not be adversely affected financially by increased assessments or service charges;
  - in the case of new housing construction proposals, clearly demonstrated that the improvements to public facilities are a vital component to support the construction of affordable housing units;
  - described how the public facilities activities will relate to a project area, where applicable, and the overall public facilities system and have a substantial impact on the identified deficiencies.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

<b>BEST</b>	<b>200 points</b>
<b>ABOVE AVERAGE</b>	<b>150 points</b>
<b>AVERAGE</b>	<b>100 points</b>
<b>BELOW AVERAGE</b>	<b>50 points</b>

## **5. BENEFIT TO LOW AND MODERATE INCOME -- 150 points**

**This ranking criterion assesses the extent to which CDBG funds will be used to benefit low and moderate income persons by dividing the total amount of non-administrative CDBG funds proposed to be used to benefit low and moderate income households by the total amount of non-administrative CDBG funds requested by the applicant.**

Under federal law CDBG-funded housing activities can be considered to benefit persons of low and moderate income only to the extent that the housing will, upon completion, be occupied by low or moderate income persons.

**Applicants will be assigned three points for each percentage of benefit to low and moderate income persons over fifty percent. Fractional percentages will be rounded to the nearest whole number.**

Documentation for benefit to low and moderate income persons must be consistent with the most recent edition of DOC guidelines, Documenting Benefit to Low and Moderate Income Persons, and described on the form provided in those guidelines.

## **6. PROJECT IMPLEMENTATION AND MANAGEMENT -- 100 points**

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and effective and timely start-up and completion of project activities.

In applying the "Project Implementation and Management" criterion, the Department will consider whether:

- a. the applicant has thoroughly considered the administrative and technical issues involved in the proposed housing project and has developed appropriate responses to them. The application describes each major step the applicant will take to complete the proposed project, explaining the method to be used in addressing the identified problem. (For instance, for a housing rehabilitation project, the applicant has defined the financing methods to be made available to homeowners, renters, and landlords, linkages with area financial institutions, rehabilitation cost estimates, building code inspections, coordination with other related programs, and maintenance training for property owners);
- b. a realistic and reasonable administrative budget has been proposed, including funding sources, general administration, and program operation.
- c. the applicant has identified (or developed position descriptions for) the person or persons who will be responsible for day-to-day project management and financial management, or has identified any services which they will need to contract for in order to carry out the project, and will ensure maximum free and open competition in the selection of professional services necessary for implementation and management of the CDBG project.
- d. the applicant has demonstrated adequate pre-planning including a proposed implementation schedule to ensure that project activities can commence quickly if funds are awarded, and that firm commitments exist for any other public or private resources to be involved in the project;
- e. the applicant has considered environmental or regulatory concerns and there appear to be no major problems, or appropriate responses for identified problems have been described. In addition, the project will avoid adverse impacts on the environment, including historic resources, and displacement of individuals which may result from the proposed activities;



- f. if other funding sources or organizations will be involved in the project, the applicant has adequately described how these will be coordinated and directed;
- g. if income is to be generated by CDBG-funded activities, a plan has been developed for the use of that money and long-term administrative mechanisms have been proposed; and
- h. if existing structures are to be rehabilitated for multiple family housing in excess of 8 units or if new housing construction is proposed, the applicant has provided additional pertinent information such as preliminary site improvement plans and/or floor plans (for new construction), and has addressed issues such as compliance with handicapped access, prevailing wage rates, comprehensive plans, and local zoning and subdivision review requirements.
- i. if acquisition, demolition or relocation are proposed, the applicant has thoroughly considered the administrative and technical issues, mechanisms and procedures that will be involved in carrying out these activities;
- j. for applications where facilities or activities are proposed that will remain the responsibility of a nonprofit entity, the proposed project will also be evaluated on the basis of the past performance of the organization and adequacy of documentation to demonstrate the ability of the facility or activity to support itself over time;
- k. if a previous grantee under the State CDBG Program, past performance of project management responsibilities will also be considered, including the timeliness of project implementation and closeout.
- l. in cases where the applicant is currently administering a CDBG project and seeks CDBG assistance for an additional project, the applicant has clearly demonstrated that it has, or will have, the capacity to manage and complete an additional project on a timely basis in compliance with all CDBG requirements;
- m. the applicant will ensure maximum free and open competition in the selection of professional services necessary for implementation and management of the CDBG project.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>
<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

## **VI. PUBLIC FACILITIES PROJECTS**

**NOTE:** This chapter covers the special requirements and ranking criteria which are applicable to CDBG public facilities applications. The chapter must be read in conjunction with Chapter III, General Requirements For All CDBG Applicants, which describes the general requirements and policies which are applicable to all applications for CDBG funds.

### **A. INTRODUCTION AND INTENT**

In public facility projects, CDBG funds are most often used in combination with other federal, state, or local funds to make public improvements affordable to low and moderate income families. Activities may also include direct assistance to low and moderate income families such as payment of assessments or hookup charges for public improvements.

Public facility projects can also include facilities designed for use predominately by persons of low and moderate income such as nursing homes, senior centers, mental health centers, shelters for homeless persons, battered spouses or abused children, or group homes for developmentally disabled persons.

Projects designed to provide temporary, short-term housing (for example, transitional housing, homeless shelters, and emergency shelters) would also fall under the public facilities category. Projects designed to provide permanent, long-term housing would fall under the housing and neighborhood revitalization category.

Nonprofit entities may acquire title to public facilities such as senior centers, centers for the handicapped, and neighborhood facilities. When such facilities are owned by nonprofit entities, they must be open for use by the general public during all normal hours of operation.

Special purpose agencies, such as water, sewer, or solid waste districts, considering public facility improvements should carefully review the section for "Eligible Applicants."

Buildings for the general conduct of government are ineligible for CDBG assistance. This includes city halls, county courthouses, county or municipal administrative office buildings or other facilities in which the legislative, judicial or general administrative affairs of government are conducted.

## **B. FEDERAL REQUIREMENTS REGARDING ASSESSMENTS AND HOOKUP CHARGES**

The federal Housing and Community Development Act imposes special requirements on projects which will be financed, in part, by hookup charges or assessments on property, such as through a special improvement district.

### **1. For Areas with 51% or Greater Low and Moderate Income Persons**

If a community intends to finance its public facility project through the creation of a special improvement district (SID) and is requesting CDBG funds to financially participate in the project, the community would be required to use CDBG funds to pay the entire SID assessment for each low and moderate income household within the project area. If the community determines that the CDBG grant amount is not high enough to allow it to pay assessments for all low and moderate income persons, it would certify that fact to DOC, and in this event either:

- provide sufficient CDBG funds to pay all the assessments for low income households only, or
- use a portion of the CDBG funds to pay for all low income households, and distribute the balance of CDBG funds remaining among moderate income households by prorating the amount of CDBG assistance in proportion to the level of household income.

### **2. Payment of Assessments in Areas with Less Than 51% Low and Moderate Income Persons**

The Federal Housing and Community Development Act authorizes the use of CDBG funds for payment of special assessments levied against properties **owned and occupied** by persons of low and moderate income in neighborhoods or communities where less than 51% of the residents are low and moderate income (LMI). This permits a local government to use CDBG funds to pay special assessments levied against properties owned and occupied by LMI persons even when less than 51% of the area residents are LMI.

An important limitation on this option is that CDBG funds can only be used to pay assessments in project areas with less than 51% low and moderate income. In these cases, CDBG funds cannot be used for related engineering or construction costs. This

amendment provides a significant opportunity to provide direct benefit to low and moderate income families through public facilities projects which otherwise would not have been eligible in past years.

Applicants having any questions regarding these requirements should contact DOC CDBG staff for guidance.

**Note:**        **The above requirements do not apply to public facilities that will be financed through the issuance of revenue bonds.**

### **C.     APPLICATIONS FOR ASSISTANCE TO NONPROFIT ENTITIES**

Applicants applying on behalf of nonprofit organizations which will operate and own or lease an assisted facility or project must submit the information described in Appendix H, Special Requirements for Projects Involving Nonprofit Organizations.

## PUBLIC FACILITIES RANKING CRITERIA

Public facility applications will be evaluated according to the following criteria and may be assigned up to a maximum of 800 points:

1. Project Planning and Selection	75 Points
2. Need for Project	150 Points
3. Technical Review	100 Points
4. Community Efforts	50 Points
5. Need for Financial Assistance	200 Points
6. Benefit to Low and Moderate Income	150 Points
7. Project Implementation and Management	<u>75 Points</u>
TOTAL:	800 Points

## **1. PROJECT SELECTION AND PLANNING -- 75 POINTS**

**In responding to this criterion, applicants should address the following:**

- the appropriateness and adequacy of the applicant's needs assessment process and citizen participation efforts, including efforts to involve low and moderate income residents;
- the relationship of the proposed project to the needs assessment;
- the rationale for selection of the project;
- the degree to which the applicant has developed a reasonable, complete, and appropriate strategy for dealing with its public facility needs in relation to its financial capacity and available sources of funding; and
- the degree to which the needs of low and moderate income residents have been considered by the applicant and how the proposed project will benefit low and moderate income persons.

**Please refer to Section E., Community Development Needs Assessment, and Section F., Citizen Participation, of Chapter III of these Guidelines for guidance.**

**In applying the criterion above, the Department will consider the following:**

- a. there is evidence of active citizen participation, including low and moderate income residents, in the community's planning process, in the selection of the CDBG project and project area, and of the applicant's efforts to thoroughly address the needs of low and moderate income residents; (dates and times of public hearings, attendance lists, and brief meeting summaries will be considered);
- b. the applicant has assessed its alternatives for addressing its community development needs for economic development, housing, and public facilities and has developed a thorough and achievable long-term comprehensive plan for dealing with its overall needs, with step-by-step actions necessary to respond to local needs;

- c. the applicant has assessed its overall public facility needs, has identified and documented the deficiencies and established priorities for dealing with them; through an officially adopted capital improvements plan and the proposed CDBG project is an integral part of that plan;
- d. the applicant has described the technical alternatives considered before selecting the proposed option for resolving its public facility need and has developed a well-reasoned and achievable proposal;
- e. the applicant has considered the financial impacts on low and moderate income households as a result of project activities and has proposed administratively sound, cost-effective means of minimizing adverse financial impacts or maximizing benefits, such as establishing a metered water system to allocate costs on the basis of use or payment of assessments, hookup fees or water meter installation charges for low and moderate income households;
- f. the estimated cost per household has been discussed and is documented in the public hearing minutes and affected property owners have been informed of the amounts of any anticipated increases in assessments or user charges through public hearings or other consultations and are in support of the project;
- g. in cases where the proposed project will not completely resolve the community's public facilities need, the project represents a complete component of an overall program.

Each application will receive points depending upon its overall response to the criterion:

<b>BEST</b>	<b>75 points</b>
<b>ABOVE AVERAGE</b>	<b>56 points</b>
<b>AVERAGE</b>	<b>38 points</b>
<b>BELOW AVERAGE</b>	<b>19 points</b>



## **2. NEED FOR PROJECT -- 150 points**

This ranking criterion will consider the overall need for the activities to be addressed with CDBG funds in comparison with the other public facilities projects submitted for funding. In documenting the need for the proposed CDBG project activities, applicants should address the following as appropriate:

- the degree to which the public facilities problem to be addressed with CDBG funds affects the public's health and safety, the proportion of the total community that is affected; and the extent to which Low and Moderate Income (LMI) residents are affected; and
- the immediacy of the public facility problem to be addressed with CDBG funds, including the cause of the problem, how long the problem has existed, and/or how often it has reoccurred;

The need for the proposed project activities will be assessed by using existing criteria or recommendations of other appropriate public or private agencies, whenever possible. When necessary, the Department will seek technical review by appropriate agencies to evaluate proposals.

Highest priority will be given to projects which are designed to complement local efforts to eliminate serious and immediate threats to the public's health or safety. This criterion will assess the overall need for the specific activities proposed to be funded with CDBG funds in comparison with other applicants. Combining high priority activities with activities considered to be lower priority could result in the assignment of a lower overall rank. In order to document that serious conditions exist, applicants should submit written verification by a public or private agency other than the applicant (a statewide agency, if possible) that existing conditions pose a threat to the health or welfare of the community or targeted population group.

In applying the criterion, the reviewing agency will consider whether the applicant has thoroughly documented that:

- a. a serious deficiency exists in a basic or necessary community public facility or service, such as the provision of a safe domestic water supply (or that the community lacks the facility or service entirely);

- b. circumstances clearly attributable to a deficiency have occurred, or are likely to occur, such as serious illness, disease outbreak, substantial property loss or serious environmental pollution;
- c. the entire community or a substantial portion of the residents of the community are seriously affected by the deficiency, including the extent to which Low and Moderate Income (LMI) residents are affected;
- d. the problem is existing, continual, and chronic as opposed to occasional, sporadic, probable or potential; and
- e. the proposed activities to be addressed with CDBG funds are necessary to comply with a court order or a State or federal agency directive; and
- f. there is clear documentation that the current condition of the public facility (or lack of a facility) violates a state or federal health or safety standard; and the health or safety standard which is being violated represents a significant threat to public health or safety.

Applicants proposing CDBG-funded activities which, overall, are considered to be addressing the most severe and immediate needs will receive the highest score.

Each application will receive points depending upon its overall response to the criterion, in comparison with the other applications submitted:

<b>MOST SEVERE AND IMMEDIATE</b>	<b>150 points</b>
<b>ABOVE AVERAGE</b>	<b>113 points</b>
<b>AVERAGE</b>	<b>75 points</b>
<b>BELOW AVERAGE</b>	<b>38 points</b>

### 3. TECHNICAL REVIEW-- 100 points

Applicants for public facility projects must provide, as appropriate, a preliminary engineering or architectural plan or study which is sufficiently detailed to describe the scope of the problem to be addressed as well as the technical components of and estimated costs for the proposed facility or improvements. The report should describe the technical alternatives considered to deal with the identified problem, the cost projections for each, and the rationale for the selection of the proposed alternative.

Any special features in the project area which will result in an unusual facility design or a costly design (e.g., lack of right-of-way, topography) should be described. Applicants should also indicate the sources of cost estimates for each activity.

Any environmental or regulatory constraints which could affect the cost of the project or the implementation schedule should be fully described and contingency plans proposed, where appropriate (e.g., requirements governing floodplains, historic preservation, acquisition, or relocation).

Where appropriate, the Department will seek technical review by appropriate agencies.

#### New Construction or Rehabilitation of Buildings

If new construction of a building is proposed, the applicant must thoroughly document that no buildings exist within the community which are suitable for purchase and cost-effective modification. This documentation should include an analysis of both the physical and financial feasibility of existing buildings and analysis that the most appropriate and cost-effective alternative is new construction.

If rehabilitation of an existing building is proposed, the applicant must thoroughly document that the proposed improvements are the most reasonable, represent the best long-term solution, and are the most cost-effective to meet clearly defined deficiencies.

#### Water Meters

It is the policy of the Montana CDBG Program to encourage the use of water meters wherever appropriate. Because all CDBG grantees are the recipient of limited, government financial resources, local government CDBG recipients are expected to spend project construction costs and subsequently maintenance costs as prudently as possible. In many cases the installation of water meters, instituting a fair billing

system based on actual use, and subsequent maintenance of meters is one of the most prudent and cost effective management and conservation steps local governments can take.

All local governments requesting CDBG funds for water system improvements must include in the application an analysis of the feasibility of the installation of water meters and conversion to a billing system based upon meters and actual use in all those cases where meters are not currently being utilized. The analysis should include projections of the potential water conservation savings due to meter conversion as well as estimated installation and long-term maintenance and operations costs. Though local governments are not required to convert to a metering system as a precondition of receiving CDBG funds, local governments choosing not to convert to meters are expected to present a sound rationale why conversion is not feasible or appropriate.

#### Applying the "Technical Review" Criterion

In applying the "Technical Review" criterion, the reviewing agency will consider whether:

- a. the project thoroughly addresses the problem and provides a reasonably complete and long-term solution in relation to the applicant's financial capacity and available funding sources;
- b. after thoroughly considering all reasonable alternatives, the technical design proposed for the project represents the most efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, and the cost of the project; and the proposed implementation schedule;
- c. all projected costs and the proposed implementation schedule are clearly reasonable and well-supported; and
- d. where applicable, for projects involving community water system improvements, the conversion to a water metering system has been thoroughly analyzed and the community has decided to install meters; or in those cases where meters are not proposed, analysis clearly demonstrates that the use of meters is not feasible or appropriate.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

<b>BEST</b>	<b>100 points</b>
<b>ABOVE AVERAGE</b>	<b>75 points</b>
<b>AVERAGE</b>	<b>50 points</b>
<b>BELOW AVERAGE</b>	<b>25 points</b>

#### **4. COMMUNITY EFFORTS -- 100 points**

**This criterion will assess the thoroughness of the applicant's efforts to secure alternative or additional funds from all appropriate local, State, and federal public and private sources potentially available to assist in financing the proposed project.**

**Note:** In documenting a public commitment, the public agency must specify the amount and use of the funds or resources. Funds or resources committed by a local government must take the form of a resolution by the governing body which specifies the approximate amount of the commitment. Funds or resources from a State or federal agency or private organization must be documented by a letter of commitment from the agency or organization involved. The commitment of funds or resources may be made contingent on CDBG funds being awarded for the proposed project.

In applying the "Community Efforts" criterion, the Department will consider whether:

- a. the applicant has made serious efforts to seek out, analyze, and secure, where appropriate, alternative or additional local, State, and federal public and private sources;
- b. non-CDBG funding sources are committed and will be available for the project immediately following normal CDBG grant start-up procedures; or
- c. if a funding commitment has not been secured, the applicant has provided evidence of serious efforts to thoroughly seek out and secure the firm commitment of alternative or additional funds from all appropriate public or private sources, to finance or assist in financing the proposed project.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

<b>BEST</b>	<b>50 points</b>
<b>ABOVE AVERAGE</b>	<b>38 points</b>
<b>AVERAGE</b>	<b>25 points</b>
<b>BELOW AVERAGE</b>	<b>13 points</b>

## **5. NEED FOR FINANCIAL ASSISTANCE -- 150 points**

The "Need For Financial Assistance" criterion will assess the degree to which the applicant has clearly documented that its request for CDBG financial assistance is necessary and reasonable, relative to its financial capability and the amount of CDBG assistance requested per benefiting household, in comparison to other applications. The purpose of this criterion is to assess the financial need of the applicant for CDBG funds compared to all other local, state, and federal financial resources currently or potentially available to the applicant.

CDBG funds should be requested only for the difference between the total cost of a project and the amount of funds that an applicant can reasonably provide. The applicant must substantiate that other private or local, State or federal resources are not available at reasonable cost to address the identified need and must demonstrate that the level of local financial participation in the proposed project is the maximum that it can reasonably be expected to provide. Each community is expected to contribute a reasonable share of project costs and to request the least amount of CDBG funds necessary to complete a project.

### **Local Match**

**Applicants must contribute local funds equal to at least 25% of the non-administrative (i.e., construction and engineering) CDBG funds requested as part of the project budget. For example, if a community intends to request \$200,000 in CDBG funds for assistance in financing engineering and construction costs, it would have to provide a \$50,000 matching contribution.**

In cases of extreme financial hardship and where the public's health or safety is affected, applicants may request DOC to waive the 25 percent matching requirement where:

1. indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate and additional grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facilities in comparable communities; and
2. a serious deficiency exists in a basic or necessary community facility or service or the community lacks the facility or service entirely and adverse consequences clearly attributable to the deficiency, such as serious



illness, disease outbreak, substantial property loss, or serious environmental pollution have occurred, or are likely to occur.

### Definition of "Local Contribution"

For purposes of evaluating this criterion, the local share of the **non-administrative** (i.e., construction and engineering) budget may be provided either by a direct cash contribution or by incurring a loan or issuing bonds to be paid through user charges or property tax assessments. "In-kind" services (such as land, labor or materials), debt incurred prior to grant application, or grants from other sources are not eligible to document the applicant's local share of project costs.

The Department will count documented local government expenditures for preliminary architectural design and engineering as part of the required 25% non-administrative match. To be counted toward the match, such expenditures must be directly related to the CDBG application and cannot include "in-house" costs. Such expenditures must have been made no later than 24 months from the date of application.

### CDBG Financing of Public Facility Projects

Recommendations for the amount of each CDBG grant will be based on a comparison of the costs which are borne by residents of comparable communities, served by existing, similar public facilities and the projected costs for the proposed project, with and without CDBG grant assistance. CDBG will endeavor to award the minimum amount of CDBG grant assistance necessary to complete a project and achieve a reasonably affordable cost for affected citizens.

### Financial Indicators For Determining Appropriate Levels Of CDBG Assistance

In order to score applications on this priority, DOC staff will prepare a financial assessment to help determine each applicant's relative need for CDBG assistance. The financial assessment will also serve as the basis for DOC's recommendations regarding the amount of financial assistance to be awarded each project.

Appendix I describes a variety of financial indicators that will be used for comparing local participation in CDBG-assisted public facility projects. None of the indicators viewed individually may give a clear picture of the applicant's need for CDBG assistance. However, when analyzed together, these indicators provide a reasonable and consistent basis for evaluating the overall financial capacity of each applicant.

**NOTE: Each CDBG applicant must provide a completed copy of the DOC Public Facilities Financial Information Form to provide a common basis for comparison of the financial situation of all applicants. The pertinent information referred to in Appendix 1 will be provided by completing this form.**

The decision to recommend CDBG grant assistance for projects will be based on each application's response to the ranking criteria and need compared to other competing applications.

#### CDBG Grant Ceiling Per Household

The amount of CDBG grant funds requested per benefited household (per active residential connection in the case of sewer or water projects) for the project area must be reasonable in relation to those requested by other applicants. In no case should the grant request exceed \$10,000 per Low and Moderate Income household to be assisted unless both of the applicable tests below are met:

- a. a serious deficiency exists in a basic or necessary community facility or service or the community lacks the facility or service entirely and adverse consequences clearly attributable to the deficiency, such as serious illness, disease outbreak, substantial property loss, or serious environmental pollution have occurred, or are likely to occur; and
- b. indicators of financial capacity clearly indicate that higher local financial participation is not feasible or appropriate and additional grant assistance is necessary in order to bring residential fees or assessments into conformance with costs for similar public facility systems in comparable communities.

An applicant for a CDBG grant in excess of \$10,000 per Low and Moderate Income household to be assisted by the project must be able to clearly demonstrate that without additional grant assistance the financial burden on local residents would be extraordinary.

In applying the "Need for Financial Assistance" criterion, the Department will consider whether:

- a. DOC's comparative analysis of financial indicators for all CDBG applicants demonstrates that the applicant's need for CDBG assistance is greater than other applicants;

- b. DOC's analysis of the proposed project budget, financing strategy (package), and local financial capability clearly supports the applicant's lack of ability to pay the projected costs without CDBG assistance and that the applicant's proposed level of local financial participation in the project is the maximum that can reasonably be expected;
- c. The applicant has clearly documented that all avenues to fund the proposed project with local resources have been exhausted and the proposed project could not reasonably be accomplished without CDBG assistance to fill a financial gap;
- d. Low and Moderate Income (LMI) households are concentrated in the project area, or would be principal beneficiaries of the public facility, and the applicant's share of project costs will ultimately be shared by all the taxpayers or ratepayers in the community rather than principally by the LMI beneficiaries of the project; and
- e. in the case of water or sewer projects, the amount of CDBG funds per household to be assisted does not exceed \$10,000 per LMI household assisted, unless both waiver tests described above have been met.

**Each application will receive points depending upon its overall response to the criterion in comparison to the other applications submitted:**

<b>BEST</b>	<b>200 points</b>
<b>ABOVE AVERAGE</b>	<b>150 points</b>
<b>AVERAGE</b>	<b>100 points</b>
<b>BELOW AVERAGE</b>	<b>50 points</b>

## **6. BENEFIT TO LOW AND MODERATE INCOME -- 150 points**

In order for a public facilities project to be funded, it must be determined that it will principally benefit persons of low and moderate income. Project activities must:

- a. be carried out in a neighborhood consisting predominately of persons of low and moderate income and provide services for such persons;
- b. involve facilities designed for use predominately by persons of low and moderate income; or
- c. be limited to paying special assessments levied against properties owned and occupied by persons of low and moderate income, where the CDBG assistance is for a public improvement that provides benefits to all the residents of an area.

This ranking criterion assesses the extent to which CDBG funds will be used to benefit low and moderate income persons by dividing the total amount of non-administrative CDBG funds proposed to be used to benefit low and moderate income households by the total amount of non-administrative CDBG funds requested by the applicant.

**Applicants will be assigned three points for each documented percentage of benefit to low and moderate income persons above fifty percent. Fractional percentages will be rounded to the nearest whole number.**

Documentation for benefit to low and moderate income must be consistent with the most recent edition of DOC guidelines, Documenting Benefit to Low and Moderate Income Persons, and described on the form provided in those guidelines.

## **7. PROJECT IMPLEMENTATION AND MANAGEMENT -- 75 points**

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper short-term management of the CDBG project, including financial management of grant funds, compliance with State and federal requirements, and cost-effective and timely start-up and completion of project activities. This criterion will also assess the soundness and appropriateness of the applicant's plans for assuring proper operation and long-term management of the public facility to be assisted.

In applying the "Project Management" criterion, the Department will consider whether:

- a. the applicant's plan for assuring proper management of the CDBG project is sound and appropriate, including financial management of grant funds, compliance with State and federal requirements, and cost-effective completion of project activities;
- b. the applicant has demonstrated that the activities are feasible and achievable, taking into consideration the size and resources of the community, the budget, and implementation schedule proposed;
- c. the applicant has demonstrated adequate pre-planning to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for any other resources to be involved in the project;
- d. all budget costs and the proposed implementation schedule are clearly reasonable and well supported;
- e. the applicant has addressed environmental concerns and regulatory constraints and there appear to be no major problems, or appropriate responses for identified problems have been described. In addition, the project will avoid adverse impact on the environment, including historic resources, and displacement of individuals which may result from the proposed activities;
- f. the applicant has identified (or developed position descriptions for) the person or persons who will be responsible for day-to-day project management and financial management or has identified any services which will need to be contracted for to carry out the project;

- g. the applicant has incorporated features in the overall project design to assure that sound management concepts are followed for the long-term. For example, when proposing major improvements to a community water system, the applicant will institute water metering to encourage conservation and a more equitable assignment of user costs, or will adapt and implement a well-head protection plan for a new water source;
- h. in cases where more than a single funding source or organization is involved, the applicant has described how these will be coordinated and directed;
- i. for applications where facilities or activities are proposed that will remain the responsibility of a nonprofit entity, the proposed project will also be evaluated on the past performance of the organization and level of documentation demonstrating the ability of the facility or activity to support itself over time;
- j. in cases where the applicant is a previous grantee under the State CDBG Program, past performance of project management responsibilities will also be considered, including the timeliness of project implementation and closeout;
- k. in cases where the applicant is currently administering a CDBG project and seeks CDBG assistance for an additional project, the applicant has clearly demonstrated that it has, or will have, the capacity to manage and complete an additional project on a timely basis in compliance with all CDBG requirements;
- l. in cases where direct financial assistance to low and moderate income persons is proposed, the applicant:
  - 1. has developed a sound and cost-effective targeting mechanism which is appropriate and feasible given the administrative resources of the applicant; and
  - 2. has provided thorough documentation in support of any claims of benefit to low and moderate income persons; and
  - 3. can assure completion of the targeting assistance within the term of the project.

- m. the applicant will ensure maximum free and open competition in the selection of professional services necessary for implementation and management of the CDBG project.

Each application will receive points depending upon its overall response to the criterion, in comparison to the other applications submitted:

<b>BEST</b>	<b>75 points</b>
<b>ABOVE AVERAGE</b>	<b>56 points</b>
<b>AVERAGE</b>	<b>38 points</b>
<b>BELOW AVERAGE</b>	<b>19 points</b>

## **VII. PROCEDURES FOR GRANT AWARD**

### **A. ANNOUNCEMENT OF RANKING RESULTS AND GRANT AWARDS**

As soon as possible after the selection of applicants to receive awards is completed, the Director will notify all applicants of the final results in writing. A summary of the final ranking results will be provided to each applicant along with the written findings of the team that reviewed the application.

Funds will be tentatively allocated to the selected applications. The tentative allocation of funds does not imply approval of all activities or costs proposed in the selected application. The proposed project activities and budget may be subject to modification during subsequent contract negotiations between the applicant and the Department. The formal award of funds will be contingent upon the execution of a contract between the applicant and the Department in accordance with all applicable federal and State requirements.

### **B. RE-RANKING OF APPLICATIONS**

Re-ranking may be considered in the event that an applicant tentatively selected to receive CDBG funds is unable to substantiate information contained in the application which may have been a determining factor in the ranking score received or if an applicant requests modification of any activities proposed in the original applications. (See procedures under Section H, Grant Amendment, Chapter VIII, PROJECT START-UP PROCEDURES.)

### **C. APPLICATION REVIEW**

DOC CDBG staff will review applications with applicants on request to discuss the evaluation and ranking of their applications.

A file will be maintained for each application, including the written findings of the team that reviewed the application. After grant awards have been announced, the application files will be available for public review upon request in the Department's offices in Helena, Montana.



#### **D. APPLICANT APPEAL**

Appeals will be granted only on the basis of miscalculation of the arithmetic scores. In the event that the Department determines that a miscalculation of scores occurred and resulted in an application not being selected for funding that otherwise would have been selected, the Department will reserve funds from the fiscal year 1995 CDBG State allocation sufficient to fund that application. Those funds will be made available as soon as is practicable. If any other applicant tentatively selected for fiscal year 1994 funding is unable to fulfill the conditions required to secure a final commitment of funds, the tentative grant commitment to that applicant will be withdrawn and made available to that applicant erroneously scored. The reservation of the 1995 CDBG funds would then be adjusted or cancelled, as appropriate.

## **VIII. PROJECT START-UP PROCEDURES**

### **A. AMOUNT OF GRANT AWARD**

Funds will be tentatively awarded to selected applications by DOC. While grant ceilings establish the maximum amounts which may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant. Tentative amounts greater or less than the amount originally requested may be awarded, at the discretion of the Department. The tentative award of funds does not imply approval of all activities or specific costs proposed in the selected application. The proposed project activities and budget may be subject to modification during subsequent contract negotiations between the applicant and the Department. The Department will not grant additional funds to pay for project costs which exceed the contract grant award.

In the event a project can be completed for less than the grant amount, the difference between actual project costs and the original grant award will be reserved by the Department for unfunded or inadequately funded projects or added to the following fiscal year's CDBG allocation. The Department will amend the grant contract to reflect the reduced costs.

In certain circumstances excess funds may be used for an eligible activity which further enhances the contracted project. Before the Department makes a determination to allow the additional activity, the grantee must demonstrate that the activity will: clearly enhance the overall impact of the original project; provide adequate benefits to low and moderate income persons; be completed in a timely manner; and be able to be completed with the excess funds. The grantee must have also demonstrated satisfactory progress toward completion of the original contracted project activities.

### **B. FUNDING AMOUNTS**

Recommendations for the amount of each CDBG grant will be based on a comparison of the costs which are borne by residents of comparable communities, served by existing, similar public facilities and the projected costs for the proposed project, with and without CDBG grant assistance. Because of the demand for limited CDBG funds, DOC will endeavor to award the minimum amount of CDBG grant assistance

necessary to complete a project and achieve a reasonably affordable annual cost for affected citizens.

### **C. PROJECT START-UP REQUIREMENTS**

Within four months of the date of the announcement of the tentative grant award by the Montana DOC, each applicant selected for CDBG funding must execute a grant contract with the Department.

Within six months of the date of the announcement of the tentative grant award by the Department, each applicant selected for CDBG funding must:

- comply with all applicable State and federal requirements for project start-up;
- establish with the Department a mechanism for transfer of CDBG funds to the grantee;
- submit an acceptable management plan and schedule for local CDBG project administration and implementation; and
- fulfill other appropriate contract terms established by the Department.

In the event that these conditions have not been met, the tentative award will be withdrawn and the funds reallocated according to the State CDBG Program project ranking and grant award procedures, unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time to meet these conditions.

No applicant which has been tentatively selected for CDBG funding may obligate or incur costs for CDBG funds until specifically authorized in writing by the Department. Funds obligated or expenses incurred without proper authorization will be the responsibility of the grantee and cannot be reimbursed by CDBG funds at a later date. Incurring costs includes actions such as hiring staff or entering into a contract for engineering or management services or for acquisition of land.

It will take at least two months before any funds will actually be received. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and Department must be prepared, the grantee must

conduct a review of environmental factors, and all the details for assuring proper management of the project and the federal funds must be finalized.

#### **D. GRANT CONTRACT**

After an application is tentatively selected for funding, a grant contract will be prepared. The grant contract is the legal document which governs the administration of the grant and includes the following items:

- the amount of CDBG funds to be provided;
- a detailed budget for the CDBG funds and any other funds involved in the project;
- the schedule for implementation of project activities and the scope of work to be completed; and
- the general and special terms and conditions associated with the grant.

The application as approved will become part of the grant contract.

No CDBG funds will be released to the grantee until a grant contract is fully executed and all project start-up requirements complied with.

#### **E. COMPLIANCE WITH STATE AND FEDERAL REQUIREMENTS**

It is the responsibility of all CDBG grantees to comply with all applicable federal and State laws, executive orders, and regulations affecting their projects. The Department will conduct training sessions to familiarize local officials of the recipient communities with these requirements. Participation is mandatory.

#### **F. COMMITMENT OF NON-CDBG RESOURCES**

Grantees must have completed, within six months of the date of the announcement of the tentative grant award by DOC, all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion. Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated. The

Department encourages applicants to secure firm commitments from all non-CDBG funding sources prior to submission of their CDBG application.

No CDBG funds will be released to the grantee until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds, other than for administrative purposes, may be obligated or incurred until this condition is released by the Department.

#### **G. PROJECT MONITORING**

During the course of the local CDBG project, the Department will monitor each grantee through periodic on-site visits and written progress reports, so that any problems which might occur may be resolved as soon as possible. It is the Department's goal to assist and support grantees in complying with applicable State and federal requirements and in implementing their project activities.

Grantees will be required to maintain complete financial and program files, and to comply with program reporting requirements. Representatives of the Department must be provided reasonable access to all books, accounts, records, reports and files pertaining to CDBG funded activities. Grantees must also provide citizens with reasonable access to records regarding the use of CDBG funds.

#### **H. TIMELY PROJECT COMPLETION**

The grant requested, either by itself or in combination with other previously identified funding sources, must be sufficient to complete the proposed activities within the contract period. The contract period is normally 24 months from the date of the announcement of the tentative grant award by the Department. The Department will consider each project separately during grant contract negotiations in order to establish a reasonable and realistic date for project completion.

DOC reserves the right to withdraw a commitment for any CDBG funds which remain unobligated 24 months after the date of the announcement of the tentative grant award.

#### **I. GRANT AMENDMENT**

All grantees must request prior approval of grant amendments such as those involving new activities or alteration of the existing activities or budget or lengthening of the schedule for project implementation, as proposed in the grant application and/or

negotiated in the grant contract. Before the Department makes a determination to allow the amendment, the grantee must clearly demonstrate that the modification is justified and will enhance the overall impact of the original project. The Department will consider each request to determine whether the modification is substantial enough to necessitate reevaluating the project's original ranking. If warranted the Department will analyze the proposed modification and its impact on the scores originally assigned the application.

If re-ranked, in order to be approved, the proposed amendment must rank equal to or greater than the lowest numerical score received by a funded project.

The Department will require that a public hearing with reasonable notice be conducted by the grantee if the proposed amendment is determined to be a substantial change in project activities proposed in the original application for CDBG funds.

Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental regulations.

**NOTE TO READER: Only Appendix I, Financial Indicators for Determining Appropriate Levels of CDBG Assistance, is included in the Draft CDBG Guidelines.**

## APPENDIX I

### FINANCIAL INDICATORS FOR DETERMINING APPROPRIATE LEVELS OF CDBG ASSISTANCE

In order to score applications on this priority, DOC staff will prepare a financial assessment to help determine each applicant's relative need for CDBG assistance. The financial assessment will also serve as the basis for DOC's recommendations regarding the amount of financial assistance to be awarded each project.

It is the goal of the CDBG program that communities should make maximum effort to pay for local public facility projects with their own resources before they ask the State to subsidize a local project and that when CDBG funds are awarded, that communities should participate in the funding of any public facility project in proportion to their financial resources.

The major challenge is then to try to define "reasonable local effort." The CDBG guidelines incorporate a variety of financial indicators for comparing local participation in CDBG-assisted public facility projects. None of the indicators viewed individually may give a clear picture of the applicant's need for CDBG assistance. However, when taken together, they do provide a reasonable and consistent basis for evaluating the overall financial capacity of each applicant.

#### Water and Sewer Projects

While some financial indicators are suitable for all types of projects, others are only appropriate for water or sewer projects. The key indicators to be used for water and sewer projects are:

##### **1. User Charges Relative to Median Household Income**

Previously, the CDBG Program used a guideline adapted from one used for many years by the U.S.D.A. Farmers Home Administration (FmHA) to determine "reasonable local effort" for financing sewer and water projects. This guideline used 1% of a community's median household income (MHI) as a guide for defining a minimum "affordable" user charge for water or sewer charges. This approach is based on the assumption that the ability to pay a particular user rate is related to the median income level in a community and that communities with higher median incomes can afford higher user rates than those with lower median incomes. Use of the 1% MHI rate calculation also allows a relatively easy and fair comparison between communities.

For example, based on 1990 Census data, the 1989 annual median household income for Montana was \$22,988. Applying the 1% MHI guideline, one



percent of \$22,988 equals \$229.88. This amount, divided by twelve months would indicate an equivalent target monthly user charge of \$19.16 per month. The 1% guideline was based on 1980 MHI levels and construction costs in the 1980's, which resulted in an average 1% of MHI target rate of approximately \$25 per month, when maintenance and operation charges were included.

Recently, because of the increasing cost of new water and sewer facilities, current monthly user charges for recently improved water and sewer facilities are averaging about \$30 per month, including \$5-10 per month charges for operation and maintenance. This amount calculated on an annual basis equals \$360 or an amount equal to about 1.5% of Montana's median family income, \$22,988 (1990 Census).

Therefore, during the review of FY94 CDBG applications, DOC staff will use 1.5% of a community's median household income (MHI) as a general guide to analyze whether a community's user charge for sewer or water services demonstrates "reasonable local effort." This means that the applicant should propose a financing strategy or package where the proposed user charge, for the single facility to be assisted, is at a minimum equal to 1.5% of the community's MHI. An applicant whose proposed user charges for the single facility to be assisted would exceed 1.5% MHI would thus demonstrate an even greater need for CDBG assistance. (In computing the proposed user charge, the applicant must include all sources of funds including the CDBG funds requested. There are additional requirements for computing the proposed charge, in order to ensure a fair comparison between all CDBG applicants. For details, see the Montana Public Facilities Financial Information Form, Appendix J.)

## **2. Total Debt per Household Ratio Relative to Median Household Income**

Debt per household is calculated by dividing the applicant's total long-term debt for the single facility to be assisted (including the new proposed debt to be incurred for the CDBG project) by the total number of households that would benefit from the proposed project. During the review of FY93 CDBG applications, DOC staff used \$2,000 of bonded indebtedness per household for a single utility as a guideline beyond which the overall debt burden may become excessive for community residents. This debt to household ratio is an industry norm used by bond underwriters to evaluate the capacity of local governments to incur additional bonded indebtedness. This range is equivalent to 9% of Montana's 1990 median household income (MHI) \$22,988. As with the use of the percentage of MHI as a guide for affordable user charges, it is based on the assumption that the ability to carry a particular level of debt is related to the median income level in a community and that communities with higher median incomes can afford to carry higher levels of debt than those with lower median incomes.

The 9% MHI for bonded indebtedness will be used by DOC as a general guide for defining the upper limits of a "reasonable" level of debt for a single utility. This means that, if possible, the applicant should propose a financing package where the proposed bonded indebtedness, for the single utility to be assisted, would be a maximum of 9% of the community's MHI. Applicants whose proposed bonded indebtedness exceeds 9% would thus demonstrate an even greater need for CDBG assistance.

In addition, DOC staff will analyze both the applicant's level of debt for the utility to be assisted by CDBG as well as the overall level of long-term (bonded) indebtedness for all basic utilities (water, sewer, and solid waste) relative to MHI.

See the Montana Public Facilities Financial Information Form (Appendix J) which the applicant will use to report information on debt.

### **3. Combined Water and Sewer Rates**

A third indicator to be used for water and sewer projects is the proposed rate for the utility for which CDBG assistance is requested (such as water) plus the current monthly per household charge for the other basic utility (such as sewer). The total of the projected water and sewer rates per month for each community will be compared with other CDBG applicants. The combined rate will also be calculated as a percentage of the community's MHI and compared to other CDBG applicants. This will give DOC a picture of the overall user charge burden for households in each community. DOC staff will compute this indicator from data supplied by the applicant on the Montana Public Facilities Financial Information Form (Appendix J).

### **4. The Affordability Index**

The "affordability index" or ranking will compare the relative ability of each applicant to pay the costs of additional local government public works improvements. The "index" is a summation of an average household's total obligation for local government user fees and tax payments divided by the community's median household income. For this calculation, DOC will analyze local government user fees including current annual water, sewer and solid waste charges plus the increased fees the applicant will incur with its proposed CDBG project. The local government's overall tax burden will be determined by multiplying the total mill levy (which includes municipal or county mills plus education mills) in the county or municipal taxing jurisdiction by the average value of a residence in the jurisdiction. The fees and tax burden will be added together and divided by the median household income for the municipality, county, or county census division for unincorporated areas.

In order to make similar comparisons, municipalities will be compared and

ranked against each other. The same will be done with counties and county water/sewer districts. DOC will compute the affordability index from data supplied by the applicant on the Montana Public Facilities Financial Information Form (Appendix J) and from data from other statewide sources.

Solid Waste, Storm Drainage, Senior Citizen Centers and other Projects

Unlike water and sewer projects, there are no generally accepted standards for determining a community's ability to afford projects such as solid waste disposal systems, storm drainage projects, senior citizen centers, and other similar projects. DOC will base its financial analysis of these projects on a comparison of the "Affordability Index" for each applicant, projected debt per household, and projected per household fees or assessments for applicants submitting similar projects for CDBG assistance, where applicable.

**NOTE: Each CDBG applicant must provide a completed copy of the CDBG Public Facilities Financial Information Form to provide a common basis for comparison of the financial situation of all CDBG applicants. The pertinent information referred to above will be provided by completing this form.**

